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STACKS

THE
LATE PROSPERITY,
AND THE PRESENT
ADVERSITY OF THE COUNTRY,
EXPLAINED;

THE PROPER REMEDIES CONSIDERED,

And the comparative Merits of the

English and Scottish Systems of Banking
DISCUSSED,

IN A CORRESPONDENCE BETWEEN

SIR JOHN SINCLAIR AND MR. THOMAS ATTWOOD,

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"It is then written above, that we shall now commit nothing but errors."

Napoleon, on his retreat from Moscow.

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INTRODUCTION.

ON the 12th December, 1824, Sir John Sinclair wrote to Mr. Attwood, congratulating him on the prosperous state of the country, and on the disappointment of their mutual predictions, that the ancient Metallic Standard could not be restored without occasioning universal misery and distress. The ancient Standard had been then in operation for near two years, viz :—from May 1823, at which period, every Debt, Tax, Rent, Contract, and Obligation, had become payable by law, in solid gold, at the rate of £3 17s. 10½d. of money, to the ounce weight of gold. The National Debt had thus been made convertible *by law*, into EIGHT THOUSAND TONS OF SOLID GOLD ; and the private debts, existing between man and man, had also been made convertible *by law*, into at least EIGHT THOUSAND TONS more of SOLID GOLD ! Here was SIXTEEN THOUSAND TONS of Solid Gold, which the nation had bound itself to produce and pay, although so much gold *did not exist in Nature, either above the Earth or under the Earth !* The principal of the National Debt, it is true, was redeemable only at the national convenience ; but the *Interest* was payable annually at the same ratio ; and every private debt in the kingdom was payable at once and in full, after the rate of one ounce of Gold to every £3 17s. 10½d. of Debt ; and the same was the case with reference to the prices of all property and of all labour. Against the justice, the policy, the utility, and the possibility of this, Sir John Sinclair and Mr. A. had repeatedly remonstrated, and it was upon seeing these opinions apparently controverted by the then prosperous state of the country, that the former had written to the latter to congratulate him on the disappointment of their mutual predictions.

LETTER I.

FROM MR. ATTWOOD TO SIR JOHN SINCLAIR, ON THE CAUSES
WHICH HAD PRODUCED THE THEN EXISTING
PROSPERITY OF THE NATION.

Birmingham, February 23, 1825.

DEAR SIR,

I have been so excessively occupied with public and private business of many kinds, that I have never until now been able to find a single hour to reply to your esteemed letter of the 12th of December. I rely upon your liberality to excuse me. I might have acknowledged the receipt before now, but I was desirous to reply fully to your observations, because they are important.

With regard, then, to the present *prosperity* of the Country, I acknowledge it, and rejoice in it; and I assure you, that I do not rejoice the less, because it tends, in some degree, to overturn in the public mind the theory which you and I have supported. It is sufficient for a good man to know that his Country prospers.—Whether it prospers by his own counsels, or by those of others, is a mere trifle. It is a question which can only be important to men, whose vanity is stronger than their intellect, or whose selfish feelings out-weigh their generous affections.

For myself, therefore, content to see things as they are, I have no desire to interfere with the prejudices and opinions which have obtained in the public mind. I have seen the ruin sweep by me year after year; I have seen thousands hurried to destruction, and hundreds to untimely graves. I now see as clear as I see the pen in my hand, that nothing but *a change in the Government measures*, has saved the Government from *Anarchy and Revolution*. But if national policy forbids this great truth to be acknowledged, (which I expect it does), I am content to let it sleep for ever; or to awake only when the national interest requires, or when the public mind is ripe for its reception.

When I say,—“*nothing* but a change in the Government measures,” I ought to make one exception, and to allow, that the fortuitous action of South American affairs, has tended much to confirm and substantiate the measures of the Government. Lord Castlereagh found that he was wrong, and he died of a broken heart. But it was not the prosperous external affairs of his country which destroyed him. It was the unmeasured and unmitigated *ruin which he saw at home*. I know that he saw it; and I may almost say, I know that it killed him.

The real truth is, that for the last two or three years, Government have been acting upon *precisely opposite principles* to those which they had acted upon for seven years before. I will name a few of their measures

which have hitherto been seldom noticed, but which have had a prodigious effect in producing the present state of things. I consider them *all* as the measures of Government; because it is reasonable to believe that the Bank of England, which has been the ostensible agent in most of them, would not have acted in the way it has done, without the previous instigation and protection of the Government.

In the first place then, the Government has passed an Act, *legalising the issue of £1 notes for eleven years!!*

In the second place, they have passed an Act to borrow two millions per annum, for about 20 years to come, *from the Bank of England*, for the purpose of paying the pensioners of the Army and Navy, and this annual sum of two millions they have consented to borrow from the Bank at 5 per cent, at the very time when they could have borrowed from the public at $3\frac{1}{2}$ per cent!!

In the third place, they have induced the Bank of England to lend four millions sterling upon *mortgage* to the Landowners, at 4 per cent. interest.

In the fourth place, they have induced the Bank of England to lend two millions to the East India Company, at $2\frac{1}{2}$ per cent.

In the fifth place, they have induced the Bank of England to lend money to the *Fund owners* upon the *mortgage of Consols*, at the rate of about £75 sterling to the £100 Consols; and when last I had the opportunity of enquiring into the subject, I had reason to think, that between two and three millions sterling had been advanced by the Bank in this way.

Here are five gigantic measures, all calculated to have an immense effect upon the Circulating System of the country; for although the Bank of England notes are not now in reality *legal tenders*, yet I will venture to say, that even among *well-informed* men, not *one in a hundred is yet informed* of this great fact. They have been bred up under the idea of the Bank Notes being the same as the coin of the realm, and nothing short of a miracle or a *thunderbolt*, can at present erase this impression from their minds.

It is not necessary for me to recapitulate the various minor measures, all tending to the same effect, viz—to the increase of the Circulating Medium; I might otherwise bring forwards the discount by the Bank of three months' Bills; the discount of *irregular* Bills; and the discount at 4 per cent. instead of 5 per cent. These are mere matters of course, which follow in the train of the gigantic measures which I have alluded to above.

The evident effect of all these things, however,

has been to *force* and increase the acting Circulating Medium of the country. The Bank of England Paper has been kept out nearly to the same extent as during the War, and it has possessed nearly the same power in the public mind. In addition to this, the South American Bullion has been poured into the country. Seven Millions Sterling per annum, which for two hundred years had gone to *Spain* in payment of *tribute*, for the last three years, has come to *England*, in payment for *British Manufactures!!* The Paper and the Bullion are thus *increased together*; and the *mutual depreciation of both*, prevents that of either from being visible to the public eye. We are at this moment in the very same situation as we were in the year 1796. The discontinuance of the use of a Coinage in France, had then thrown upon England the very same increase of Metallic Circulation, as has latterly been occasioned by the emancipation of the South American States; and Mr. Pitt's measures in 1796 had, at that time, produced the very same effect in increasing the Paper Circulation, which has latterly been produced by the action of the Government upon the Bank of England.

Hence all the *prosperity* which we now see. The measures of the Government combined with the emancipation of the South American States, have filled the Country with what is called *Money*; and this *plenty of Money* has necessarily produced a general elevation of prices; and this general elevation of pri-

ces has necessarily produced a general increase of *profit* in all occupations; and this general increase of *profits* has, as a matter of course, given activity to every trade in the kingdom; and whilst the workmen, in one branch of trade, are *producing* one set of articles, they are inevitably *consuming* an equal amount of all other articles. This is the *prosperity of the Country*, and there is no other prosperity which ever has been enjoyed, or ever can be enjoyed.

The present prosperity of the Country, is indeed to be attributed to one cause only, and that cause is the general increase of the Circulating Medium. This increase has been effected by the *Stimulating System*, upon which the Government has acted with the Bank of England for the last three or four years; and by the increased importations of Bullion from the South American States. Let the Government drop this *Stimulating System*, or let the current of the Spanish Minerals be turned into other directions; in either of these cases, universal depression would immediately succeed to universal confidence, affluence, and prosperity. The Country would again be struck with a strange *paralysis*, like that of 1816 and of 1819. All manner of strange *anomalies* would again present themselves; and again the *Radicals* and *Blanketeers* would shake the foundations of the Government.

I consider nothing upon earth more certain than this. But I also take it for granted, that his Majesty's Ministers understand this subject *now* ; and that they are prepared to give us again "*The Bank Restriction Act,*" whenever the day of trial comes.

If they are not prepared for this—If they have launched the Country into the ocean of *Paper Credit* and *high prices*, without being prepared to sacrifice the *Metallic Standard* altogether, if necessary ; then in my judgment, they have committed the happiness of the People, and the safety of the Crown, upon principles as baseless as the winds.

I remain, with sincere esteem,

My dear Sir,

Your faithful humble Servant,

THOMAS ATTWOOD.

To the Right Honourable Sir John Sinclair, Bart. &c.

LETTER II.

FROM MR. ATTWOOD TO SIR JOHN SINCLAIR, ON THE CAUSE OF
THE *LATE PANIC*, AND ON ITS CHARACTER AND
MODE OF OPERATION.

Birmingham, December 27, 1825.

DEAR SIR,

In my letter of the 23d of February last, I endeavoured to shew that the then existing prosperity of the country was entirely owing to the increased circulation of money which had been brought into action by the operations of the Government upon the Bank of England, and by the importations of Bullion from South America. I also expressed a conviction that the most disastrous consequences would ensue to the country if Government should discontinue their operations upon the Bank; or if any circumstances should arise to occasion an exportation of Bullion. These disastrous consequences have since come upon us suddenly and secretly, and in a way calculated to appal the stoutest minds among us. I think, therefore, that it will not be ill-timed, if I now take the liberty of explaining more fully in what manner such disastrous consequences have arisen, and what must be their probable action in the end. Born and bred up in the very midst of the Paper System, and having the opportunity of watching closely its nature and

its operation, you will not, I am sure, accuse me of vanity, when I assume, as it were, a personal acquaintance with subjects which statesmen may have omitted to notice, through the mists and delusions with which distance environs them.

There can be no doubt then that, in *February last*, the country was *prosperous*. All agriculture, all trade, and all manufactures, gave to the active classes of the community a reasonable profit for their labour and capital employed; and whilst one set of men in each occupation was *producing* one set of commodities, the same set of men were inevitably *consuming* nearly an equal amount of all other commodities. In whatever degree their mutual productions exceeded their mutual consumptions, such surplus diverged itself into expenditure in the shape of profits, taxes, or investments, or remained in the shape of *Stock* to augment the national wealth. What was it that constituted this happy state of things? It was, that the *general mass of money* in circulation had been so far increased, as to cover, in its action, a range of *general prices* sufficiently high to give a *general profit* in the production of all commodities. Until this increase of money had been effected by the operations of the Government above alluded to, the range of *general prices* fell below the *general range* of the expenses attending the production of commodities, and thus all production was stagnant; or if active, it was only made so, by the ruin of the producers. In

fact, the industry of the country was *throttled*. The *increase of prices* consequent upon the *increase of money* released the industry of the country from its *thralldom*. Every thing presented a scene of profitable activity ; and Government had the satisfaction, as Mr. Robinson expressed it, of “ Dispensing from “ the ancient portals of a constitutional monarchy, the “ blessings of plenty and contentment throughout the “ land.”

Observe, now, how this happy state of things has been changed. The whole of this melancholy change will be found to originate in the attempt to enforce the ancient standard of value ; or in other words, to render *every £3 17 10½d. of Debt, Tax, Money, or Obligation, convertible by law into an ounce weight of Gold!!*

The general range of prices which had been raised as above described, to about the *War level*, being all measured in Ounces of Gold, at £3 17 10½d. of price to one ounce of Gold, the consequence was, that Foreign Nations began to purchase less of our manufactures and commodities, and thus our *exports* began to fall off *comparatively* ; but at the same time, being tempted by the high *real prices* which their commodities sold for in England, they began to sell us a greater *comparative* quantity of such commodities, and thus our *Imports* were increased. In the last year we imported four millions sterling

more *Cotton* than usual. The *Balance of Trade* as it is called, was thus thrown against us, and instead of having many millions per annum of *Bullion to receive*, we have latterly had many millions of *Bullion to pay*. This drain of *Bullion* from England has now been going on for about two years, and although counteracted for a moment, by the shock in the Money Markets, it must naturally go on until our general range of prices falls again to the level of 1816 and 1819. It was known to exist for some time, and indeed might have been assumed as a matter of course, but I believe it was not publicly exhibited until *June last*, when a return was made to Parliament from the Custom House, *shewing an exportation of eight millions sterling of Gold, and of four millions sterling of silver, in the preceding eighteen months!* Nothing was said of the immense sums which were exported without entry at the Custom House, nor of the quantity of *Sovereigns melted by the Refiners*, some of whom I have known in Birmingham to melt 1000 or 1500 per week more or less, for years! The terrible truth of such a rapid diminution of the only *legal tenders* in existence, seems to have slumbered without notice for a few months, and it was not until *September last* that the Bank Directors found it necessary to *diminish their Bank Note Circulation correspondently*. How this reduction of the Bank Note Circulation was effected, I cannot say, but it is certain that it *was effected*, and that it instantly produced that scarcity of money

and that general want of confidence, which have lately produced such dreadful consequences to the country. When the *Bullion Money* left the country, the *Bank Note Money* ought to have been *increased* to supply its place, and then we should have found no diminution of the national prosperity ; but the unhappy character of our present position is such, that whenever the Bullion Money leaves us, the Bank Note Money is sure to leave us correspondently at the same time. And can we wonder at the disastrous consequences we have seen ? When a *main artery* is opened in the *right arm*, and the vital current is streaming from the unhappy patient, we open another *main artery* in the *left arm* !! And can we be surprised that instant paralysis or death ensues ? Is it not certain that the tremendous consequences which we have witnessed in the last three weeks, must be the inevitable result of the *double ruin* which has thus been set in rapid and simultaneous action ? Suppose a Thousand Millions sterling of Debts and Obligations to exist in the Nation between Man and Man, and that a certain given proportion of such Debts is required to be discharged daily. Suppose the nation to possess twenty millions of Gold Coins as *legal tenders*, and twenty millions more of Bank of England Notes, which in the public estimation have the moral force of *legat tenders*. Suppose, then, ten millions of the Gold Coins to be exported, leaving only thirty million of Gold Coins and Bank Notes in circulation. Is it not evident that *one fourth*

of the usual proportion of *Debts* required daily to be paid, must go *unpaid*? And if at this critical period, the Bank of England should also reduce its circulation of Bank Notes, is it not equally evident that a general *crash and ruin* must instantly take place among all *Debtors*, and that a general terror and alarm must instantly take effect among all *Creditors*? *Panic* is said to have been the *cause* of the terrible convulsions, which yet agitate the whole mass of monied obligations. Is there not ground for *panic* when the money of the country becomes unequal to the duties which it has to discharge, and *is no longer able to meet the mass of monied obligations pressing upon the money for payment*? A fact of this kind once found out in the practice of men creates immediately a general *scramble for money*, throughout all classes of the community. All rush upon their *Debtors*, some animated by fear, and others urged by their own necessities, and in their blind eagerness to escape general calamity, all precipitate the *general ruin*.

This is the state of things which the country has exhibited during the last few weeks; and still continues to exhibit, although in a mitigated degree. The evil is stayed for a moment, or rather it is shifted, in some degree, from off the backs of the monied classes upon the country it large; but *it still remains in existence, and still threatens the most tremendous consequences to the Nation*. I will take the liberty of

troubling you with one other letter, in which I will endeavour to point out the *character and probable operation of those consequences.*

I remain, with sincere respect,

Dear Sir,

Your obedient humble Servant,

THOMAS ATTWOOD.

To the Right Honorable Sir John Sinclair, Bart. &c.

LETTER III.

FROM MR. ATTWOOD TO SIR JOHN SINCLAIR, ON THE FUTURE
OPERATION OF THE METALLIC STANDARD, AND ON THE TWO
MODES OF CARRYING IT INTO FULL EFFECT.

Birmingham, January 4, 1826.

DEAR SIR,

The principal object of my last letter, was to explain the *cause* of the late *panic*, and of the present alarm and want of confidence, which so generally prevail. Some people assume that the *panic* was itself a *cause*, and not an *effect* produced by any other cause. They represent it as resembling what the French call "*terreur panique*" which sometimes takes effect in Armies, when the bravest troops are dismayed without any ostensible cause, and rush upon their ruin, in their blind eagerness to avoid imaginary danger. Never was assumption more false than this. Never was there more *real cause* for *panic* than that which existed in England a fortnight ago. If an *earthquake* had opened its gaping jaws in a thousand directions, and had literally swallowed up every tenth man's house throughout the country, no more real cause of terror could have existed than that which was occasioned by the late exportations of *Bullion Money*, being suddenly followed up by a correspondent reduction in the *Paper Money*. The found-

ations of every man's house did, in fact, tremble under his feet. Every *Debtor* in the kingdom was endangered by the impossibility of suddenly discharging his Debts; and every *Creditor* was endangered by the threatened Bankruptcy of his *Debtors*. No capital, no wealth, was a protection to either party. Nothing but the literal *possession of Sovereigns* could guarantee either Creditors or Debtors from the most frightful losses and injuries. How then could we wonder to see every man anxious to obtain them? A reduction of *one half* had taken place in the number of Sovereigns existing in the country. A correspondent reduction had commenced in the Bank Notes. A vast mass of monied obligations was thus left unprotected; for the remaining Sovereigns in existence, could not possibly discharge daily the same quantity of *Debts* which the former quantity of Sovereigns daily discharged. Here then was ample cause of alarm. The unprotected masses of *obligations* began to crumble over our heads. The American Merchants first gave way in London, Liverpool, and other large towns. Then the Devonshire Bankers followed, and soon after some eminent London Bankers were obliged to suspend their payments; and through *their* connexions, the alarm was rapidly propagated through the Country Bankers generally. A general *scramble* for Sovereigns and Bank Notes ensued. The safety of a man was not to be measured by his wealth or capital, but by the prudence and foresight which he had exhibited in *scrambling for Bank Notes in time!* No doubt this general *rush*

or *run* for money, which was set in action, aggravated the evil which it was meant to cure. If the public had been contented to sit down quietly, and to be destroyed *in detail*, one after another, it is probable that the destruction would not have been so general as the late panic threatened to make it ; but still it would have been frightful and enormous. *Panic* was therefore, its inevitable result, and that *panic* necessarily continued to increase, until the *cause* which gave rise to it was removed by the increased issues of money. These increased issues of money were certainly driven off to the very last hour at which they could possibly be effectual. In all human probability if they had been deferred for another week, no human power could have prevented a general explosion of all the monetary obligations of the country.

At this critical period, however, the evil *has been stayed*. But the cause which produced it has not been removed. That *cause* still remains in operation, and still threatens the most tremendous consequences to the country. It is right, therefore, to enquire what these consequences will be, and how they will exhibit themselves. If the Government should indeed think proper to abolish the Metallic Standard altogether, or to reduce it greatly by *alloy*, or *diminution of its weight*, or *elevation of its price* ; then, indeed, it is certain that this country can have nothing to fear. But assuming that we are still to attempt to persevere in the present Metallic Standard, I apprehend, in that case, a long train of calamities, beginning in

poverty, bankruptcy, and misery, and ending in the most frightful anarchy and revolution.

Assuming, then, that the present Metallic Standard is to be still persevered in, there are, in this case, two modes of proceeding for the Government to adopt. In the first place, they may proceed firmly in the course which they have pointed out, leaving the Bank of England to protect itself, and compelling that Establishment and all individuals to pay their debts rigidly in *Gold Coins*; or in the second place, they may adopt a middle, or temporizing policy, and endeavour to bolster and prop up the Metallic Standard, by the assistance of palliative and artificial measures.

In the former case, it is probable, that we shall very quickly return to the state from which we have so lately escaped. The Bank is said now to have about twenty-eight millions of notes in circulation. From ten to fifteen millions of these notes must be instantly withdrawn, in order to render the Bank Notes as scarce as the Coins in which they are payable, and in order to prevent the renewed exportation of those Coins, by again beating down the prices of property and labour.

This reduction of the Bank Notes will instantly bring back the late convulsions in the Money Markets. Again we shall see the failure of Banks and

other Establishments, the most affluent and eminent in the country. One calamity will follow another in sudden and rapid progression, and after a little while, when *crash* upon *crash* shall have prepared men's minds for a tremendous catastrophe, that catastrophe will inevitably come. The money of the country will not be equal to discharge one hundredth part of the demands upon it ; and if men live at all, they will only do so by having recourse to universal plunder. The Bank of England will be compelled to stop payment; but the probability is, that it will not do so, until the general distress and terror have become so great, as to render a Bank Restriction Act, at such a period, perfectly unequal to the mighty task of propping or re-constructing the falling fabrick of society.

If the Government should adopt the middle or temporizing policy; if they should act upon a system of *palliatives*, and should induce the Bank of England to call in its issues gradually and slowly, and in the meanwhile to throw in assistance from time to time, into such quarters, and under such parts, of our Monetary obligations, as are in the act of giving way, yet still the same fate will await us in the end. We shall go to the same ruin, but we shall go more slowly and more painfully. The cause also of our ruin will be more deeply seated, and less visible to the public eye. Instead of dying by a *cannon ball*, we shall die *by inches*. We shall run the race of 1816 and of

1819, instead of meeting the sudden and swift destruction of 1825. But still our end will be the same. If we persevere in compelling every £3 17s. 10½d. of Debt, Tax, Settlement, and Obligation, to be convertible *by law* into an ounce weight of Gold, the consequence must inevitably be a total breaking up of all monied obligations, and of the whole fabrick of Society, which they hold together.

If we look back to 1816 and 1819, we shall see, *as in a glass*, the dangers and the horrors which we have to meet. That is to say, we shall see them in their *commencement*, but not in their *career*. In 1816 they were arrested by the Bank of England issuing Six Millions sterling of more Notes, by a loan to Government *under the Restriction Act*. In 1819, 1820, and 1821, they proceeded slowly and surely until the whole mass of society became contaminated with revolutionary views. In 1822, they were again arrested by the £1 note Act, and by abundant issues of money. At that time, I *proved* in many letters, printed in the Farmer's Journal, that it was certain that *a third catastrophe* would ensue. That third catastrophe is now come, and if Government neglect to apply an early and permanent remedy, all the dangers and all the horrors that we saw in 1816 and 1819, will very shortly be deemed but trifles, when compared with those which we have yet to see.

Suppose then the Government to act upon the temporizing policy as above described. Is it not certain, that in this case, the prices of property and labour generally in England must fall to nearly the Continental level? The Bank of England *must reduce* its issues *generally*, however much it may increase them *locally*. No other way will remain to stop the export, and force the import of gold, but so to beat down English prices, (*whilst Gold remains the same*) that at last, Gold becomes the *least* beneficial article that men can find to *export*, and the *most* beneficial article that they can find to *import*. This is the way in which the process of bringing back Gold to England *at the ancient price* must work. It *must* force back all other commodities to their *ancient prices also*. Here begins the ruin of the system. The debts and obligations cannot be forced back to *their* ancient level. Thus every farmer becomes bankrupt to his landlord, and every landlord becomes bankrupt to his *creditor*, in one shape or other. Every merchant becomes insolvent to his creditors; or at least he finds the losses of his trade are greater than its profits. Every manufacturer finds the prices of his goods fall so low, as to give him a loss instead of a profit; and therefore he contracts his establishments and discharges his workmen, the only possible process through which he can compel them to reduce their wages. The unhappy workmen are thus made *non-producers* on one hand; but they are also made *non-consumers* on the other. A mighty evil is thus set in motion.

which acts and re-acts upon its own elements, until the distress terminates in some great convulsion, or in the increase of the circulating money, occasioned either by the renewed importations of Gold, or by the interference of Government.

The temporizing policy, therefore, gives us no hope of escape from the fate which awaits us. It only procrastinates our misery, without the possibility of relieving it. Every year that it lasts, it brings thousands of heart-broken wretches to the grave. What reparation can we make to these unhappy men? What to the hundreds of thousands of others, who must toil early and late, and reap *ruin* as the reward of their labour? In my judgment it is much better to adopt the *decisive policy* at once; and at once to compel all debts and obligations to be paid in heavy Gold. Much better would it have been to have acted in this way in 1816 or 1819. The injustice and the impossibility of this would then have been evident to all eyes; and the country would necessarily have been placed under the protection of a *reduced standard*, or of a *Restriction Act*. Respecting the comparative eligibility of these two modes of relief, I purpose to trouble you with one other letter.

I remain, with sincere esteem,

My dear Sir,

Your obedient humble Servant,

THOMAS ATTWOOD.

To the Right Honourable Sir John Sinclair, Bart. &c.

LETTER IV.

FROM MR. ATTWOOD TO SIR JOHN SINCLAIR, ON THE COMPARATIVE ELIGIBILITY OF A REDUCTION OF THE METALLIC STANDARD, OR A BANK RESTRICTION ACT.

Birmingham, January 11, 1826.

DEAR SIR,

With regard, then, to the comparative eligibility of the two only modes of relief which remain to the country, I am of opinion that a renewal of the Bank Restriction Act is better than a reduction of the Metallic Standard of Value, for the following reasons.—

A Metallic Standard has no power of accommodating itself to the wants and purposes of society. It has no power of *expanding* or *contracting* the numerical quantity of *legal tenders* in existence, according as the necessities of the community may require. It remains fixed and immovable when it ought to expand. It expands when it ought to contract; it contracts when it ought to expand. In short, it disappoints in every way, in a highly *artificial state of society*, all the ends and objects to which it is well-fitted in a *more barbarous age*. Suppose, for instance, the Metallic Standard to be reduced *one-half*, as in strict justice it ought to be, so as to give about 10s. to the bushel of wheat, and 16s. to the weekly wages of Agricultural Labour. This large reduction of the Standard, and consequent elevation of prices to

the War level, or to about the level which has existed for the last three years, would certainly place the prosperity of the country upon a secure footing, as far as a Metallic Standard can possibly produce such effect. Suppose, then, in our highly artificial state of Society, where such an extreme division of labour prevails, and such an immense mass of monied obligations, of a hundred kinds, must necessarily exist, and where the bulk of such monied obligations must still be founded upon paper, *and be discharged with paper, or not discharged at all*: Suppose, in such a state of things, any slight action upon the Exchanges, or upon the balance of Foreign Remittances, should occur, so as to occasion a temporary exportation of Bullion money, how, in this case, is the Paper Money to be encreased so as to supply the place of the Bullion Money? How, indeed, is the Paper Money to be prevented from contracting and diminishing its quantity correspondently with the contraction of the Bullion Money? The Paper Money, when most wanted, must necessarily disappear as a matter of course. A slight action upon the Exchanges becomes, thus, a mighty evil, producing a general depression of prices, and a general depression of Agriculture, Manufactures, and Commerce.

Take the *converse* of the above proposition. Suppose a slight action upon the Exchanges, or upon the balance of Foreign Trade, to occasion an extra *importation* of Bullion Money, At such a period, the

Paper Money ought to disappear, so as to make room for the Bullion Money, and prevent the temporary elevation of prices, which must otherwise be occasioned. But instead of this, the Paper Money instantly expands, and increases itself with the increase of its means of payment, which the new Bullion Money presents. A sudden and great elevation of prices is thus occasioned, which lasts just long enough to deceive the public mind, and to induce people to contract engagements on the strength of it. It then disappears from under their feet, and such engagements eventuate in their ruin.

What can be more injurious to society than such elevations and depressions of prices, and such changes in the relative plenty or scarcity of money? Do they not scatter throughout the country, with a prodigal hand, *unmerited prosperity to-day*, and *unmerited ruin to-morrow*? Do they not tend to make all business a mere matter of gambling speculation, instead of the regular and sober pursuit of reasonable and moderate gains? And yet these fluctuations are inseparable from a Metallic Standard, in a state of society like ours. We cannot do without Paper Circulation. If we were to attempt this, the consequence would be absolute and universal bankruptcy. If we could indeed shake off the existing engagements of society, and begin again *de novo*, then indeed it is certain that we could do without *Paper Circulation*. But as things are, it is impossible. We have therefore to

consider, whether it is best to preserve it, jointly with a Metallic Standard ; or to shake off the Metallic Standard altogether. If we preserve the Paper Circulation *jointly* with a Metallic Standard, then we must at all times expect considerable changes and fluctuations in the value of money, and in the consequent prices of property and labour generally. The Paper Money, like a false friend, will cling around us when we want it not ; but in the hour of our adversity it will disappear.

If at any time a foreign invasion of this country should take place, the danger of an immense Paper Currency *all convertible into Gold*, would then suddenly assume a terrific magnitude. But if we were in possession of a *non-convertible* and independent circulation of our own, a foreign invasion would have no effect upon our monetary System. Instead of every man being engaged in the process of *crushing his debtors*, in order to convert his debts and money into Gold, every man's interest would be bound up in that of his country, and his hand would be engaged in crushing her invaders. *The danger of the Paper Currency consists solely in its convertibility into Gold.*

What would have been the situation of the country three weeks ago, if the Bank Restriction Act had *not still existed in the public mind* notwithstanding its repeal *in law*. Instead of *increasing* the circulation of Bank Notes from eighteen to twenty-eight

millions, the Bank must in this case, have been compelled to *reduce* it suddenly from eighteen millions down to ten millions or under. The evil in operation would thus have been aggravated a hundred fold. Ruin would have been accumulated upon ruin. In all human probability, the whole mass of circulating paper, of many kinds, would instantly have disappeared from circulation, leaving nothing but a few millions of *hoarded sovereigns*, to discharge the duties which a hundred millions of *Circulating Sovereigns* would not have been equal to discharge. No possible means of paying the weekly wages of labour, or of purchasing the common necessities of life, would have remained in existence. Universal plunder, anarchy, and murder, *must* have ensued; for by no other means could human life have been supported and defended. From this frightful fate we were saved by the timely issues of Bank Notes. Fortunately for us, the power of the Bank Note, as a *legal tender*, still existed in the public mind. The laws had indeed repealed the Bank Restriction Act, but some terrible convulsion must ensue, or the present generation must pass away, before it can possibly be repealed in the habits and modes of thinking of Society. In fact, a new race of men must grow up under the new impressions, before the old race of men will cease to act upon the old impressions. We were thus enabled to issue the Bank Notes plentifully, and thereby to arrest the mighty ruin which threatened us. In the hour of our danger, we were obliged to fly to the ca-

luminated *Paper* for refuge, and there we found it. If we had relied upon the *Gold*, our destruction would have been as certain as day and night.

Contrast all the dangers, the changes, the fluctuations, the unjust ruin, the unjust aggrandizement, attendant upon a Metallic Standard, with the security, the certainty, the equality of prices and of values; the exemption from unjust losses, and from unjust gains; and the general stability of all profits and of all prosperity, which a *non-convertible Paper Currency* presents.—Self-existent, self-dependent, liable to no foreign actions, entirely under our own controul; contracting, expanding, or remaining fixed, according as the wants and exigencies of the community may require, a *non-convertible Paper Currency* presents every element of national security and happiness, without the possibility of injuring any one class of the community. In case of any sudden panic occurring, so as to occasion an unusual demand for money, for the discharge of Debts and the support of public credit, the *non-convertible Paper* instantly expands itself to meet the demand, and the demand is satisfied and the mischief stayed. When public confidence runs high, and the instruments of credit have a tendency to expand themselves into *excess*, the slightest *touch* upon the *non-convertible basis* of the Circulation, instantly reduces the whole, and binds down the Circulating System upon the ancient level. Upon this level we may stand for a thousand years.

We may for ever ensure a wholesome range of prices, neither too high or too low, but securing at all times the due reward of industry to the productive classes, and the due distribution of mutual rights and interests among all other classes of the community.

It is true, that we ought to have some *superintending power* to regulate and conduct a mighty system of this kind, and not to leave the whole under the *non-responsible* management of the Bank of England. This superintending power we may readily obtain by the establishment of a Board of Controul, or Parliamentary Commission, responsible to Parliament for its conduct, and compelled to act upon certain known and established principles. Under the guidance of such a power as this, the Bank of England would become a mighty agent of national power, security, and happiness, without the possibility of its ever issuing its notes in excess, or of unduly contracting them to the national injury. We should never again know what it is to have expansions to day and contractions to-morrow; to have prosperity in the beginning of the year, and ruin in the end; or to have any of those fatal fluctuations which have distracted society for the last ten years.

If, however, the establishment of a permanent Bank Restriction Act should be thought too great an innovation in the habits and modes of thinking in society, yet still a temporary Bank Restriction Act would be necessary for the purpose of giving us time

to decide upon a *practicable* Metallic Standard, and to introduce it generally and securely into public use. A sudden change in the present Coins might, perhaps, produce too great a *shock* upon the Monetary System, and upon men's habits and prejudices. *It would in reality injure no one, but the few individuals who have occasion to move their capital abroad, and to invest it, or expend it there.* But it might be obnoxious to public prejudice if adopted at once. It might be thought to injure *all*, although in reality it would injure *none*, unless carried to such a degree as to elevate the prices of property and labour above the level which has existed for the last three years; *which a reduction of 50 per cent. in the Standard would not do.*

Be these things as they will, however, one of the two *we must do*, or we are lost. Our situation is a choice of difficulties, but no human power can avoid them. We may, perhaps, toil and struggle on for a little longer, amidst all manner of dangers, and all manner of sufferings and privations; but the end of our career is *Death*. Not *Death* to the people, but to the political system under which we live. I have reflected upon the subject for twenty years; I have continually turned it in my mind, in a thousand shapes and ways, and I am still most firmly of opinion, that if we persevere in the attempt to force all the prices, obligations, and contracts of society into conformity with the ancient Standard of value, we shall not suc-

ceed in that object ; but we shall pull down the whole fabrick of society upon our heads.

One important fact I ought to mention, in proof or confirmation of this opinion. I have never met one single individual, who has had leisure and disposition to turn his thoughts to the subject, who has not fully adopted the same opinion in the end.

One other fact is important. If these arguments are wrong, is it not strange that no one has ever been found to point out their error, or even to attempt it ? All the experience that we have had confirms their truth. Every *shock* that our Circulating System has sustained, *from the year 1791 to this day*, can be directly traced to the pressure of the Metallic Standard. In 1816 and 1819 the very foundations of society were giving way. In 1825 the whole Circulating System was suddenly falling upon our heads. In every instance the *Paper* saved us ; and nothing but the *Paper*. It remains now to be seen, whether we shall abandon this mighty engine of national security or not. Short and awful is the crisis in which we are placed. If we determine wrong, God help this Nation through the mortal trial that awaits her.

We must not reason from *precedent*. If we do, we reason wrong. No precedent exists in history like England at this period. Every thing is *new* and gigantic about us. Grown up into a giant's strength,

in all the mighty parts and proportions of society, we cannot again be forced back into the habits and modes of thinking of a semi-barbarous age. In a semi-barbarous age, *Money* is but of little consequence. Every village produces nearly the whole of its wants within itself; and but little difficulty occurs in the mutual exchange of commodities and services among the rude inhabitants. *Debts* and *Taxes* may be said not to exist; or if they do exist, they are chiefly payable *in kind*. But in a highly artificial state of society like ours, *Money* is literally *vital*. *Here the division of labour* has become extreme. Society is divided, not into villages, producing the whole of their moderate wants within themselves; but into trades, classes, and occupations, each producing their *masses of separate commodities, and of parts of commodities, which are only made available for the public use, through the medium of money*. Every thing is done, also, through the intervention of *debts*, or of *monied contracts* or *obligations* of some kind. *Money* becomes thus the very *life blood* of the political System; and its ample and healthy supply is just as necessary to our political body, as blood itself is to animal life.

Whether this ample and healthy supply of money is obtained by a reduction of the Standard, or by a Bank Restriction Act, is however of little comparative importance, *provided it is obtained, and secured*. The *Debtor interest* of the Country is, at present,

strangled by the *Creditor interest*. Upon what is this latter to be supported when its victim dies? When the *Drones* of society have destroyed the *Bees*, how are the *Drones* themselves to live? Is it not certain, that they also must die in the end? And after all, is not every *Creditor* on the right hand, a *Debtor* himself on the left hand? Let the *Creditor* then relax his grasp upon the *Debtor's* throat. Let him be content to receive his Debts, Rents, and Taxes in a money, as cheap and abundant as that, in reference to which, his Debts, Rents, and Taxes were contracted; and then there will be no misery, no discord in society. Or if it is thought that the *Public Creditor* has a just claim upon the country for payment in undepreciated Coins, let the *Public Creditor* receive his payment accordingly: but let not the innumerable *private Creditors* throughout the country receive also a benefit which no individual among them will dare to contend *is his right*. Let not the very elements of society be armed against each other; and each be compelled *to destroy* to-day, and to be *destroyed itself* to-morrow. The doubling of the real weight and real value of the National Debt, will be heavy enough upon the Nation, but it will not be more heavy than the Nation can bear. The National Debt presses generally, equally, and universally, upon all parts and elements of Society, and like the weight of the Atmosphere, its burthen is in reality but little felt. But the *private debts* and *obligations* existing between man and man, press *locally* and

partially ; crushing to the very earth one class of men to-day, and another class of men to-morrow, and *in the end destroying all*. Why then should we volunteer an universal ruin of this kind ? Can no means be devised whereby the *Public Creditor* may receive his dividends in *heavy Gold*, without giving also the same *heavy Gold* to every Creditor of a thousand kinds throughout the country ? Could not the Public Creditor be guaranteed his dividends in heavy Gold for some limited period, and would not this give him the opportunity of *selling out*, and of withdrawing his property from the funds, if at the end of such period, he should not think proper to receive such money as the national convenience may require ? It appears to me, that the Bank Restriction Act might be renewed for three years, during which the above privilege might last, without raising the price of Gold in the markets, beyond the level it has reached during the last three years ; or if the price of Gold *should* rise 10 or 20 per cent above that level, the expence of the guarantee would be a mere trifle.

We might in this way render ample justice to the *Public Creditor*, without crushing into the earth every *Private Debtor* in the kingdom. And if the *weight of Gold*, contained in the instruments of money, is made so great an object, it becomes another reason why a renewal of the Bank Restriction Act is a better mode of present relief, than a direct reduction of the Metallic Standard. The former would throw Gold out of use, and *out of demand*, and keep down its

price and its exchangeable value, so as to give a much greater quantity of Gold to the Pound Sterling, by way of *purchase in the market*. It would, in fact, *depreciate Gold itself* for years, and render it comparatively a mere drug in the country ; whereas a reduction of the Standard would instantly call Gold into general use and *general demand* ; and whilst it really raised the exchangeable value of Gold itself, it would be a literal reduction of the quantity of Gold which the Pound Sterling would contain or would purchase.

But in truth, a reduction of the Standard to the extent of *one-half*, would injure no individuals in the community, *excepting only those who invest or expend their Capitals abroad*. It would not raise the general prices of commodities and labour beyond the level which has existed for the last three years, It would only *preserve* those prices under which all classes have flourished, and without which no class can flourish *permanently*. For the last three years we have flourished under the range of the *high war level of prices*. This high war level of general prices has been obtained by abundant issues of Paper, and by a *forced depreciation of heavy Gold*. What difference can it make to the Public, whether this high War level of general prices is preserved by a reduction of the Standard, or by a *forced depreciation of the exchangeable value of heavy Gold*? Certainly it can make none. It can only make a difference to persons going

abroad, to expend or invest their capitals, and these persons ought to be deprived of the *enormous premium* with which we now *bribe* them to leave the land of their fathers, and to expend their capitals abroad.

The result of all the above is, that whether we reduce the Standard or not, it is advisable, in the first instance, to restore the Bank Restriction Act. Under this mighty monument of the wisdom of Mr. Pitt we may yet take refuge; *and there we shall be safe*. No shadow of danger can reach us. There is no difficulty in paying *paper debts* with *paper money*. There is no difficulty in employing and maintaining labourers, so long as the prices of the products of labour are *kept above the range of the fixed charges and monied expences*, which must otherwise suffocate the industry of the country. But if the *paper money* is withdrawn, the *paper debts* must fall; and if the prices of commodities are suffered to fall to the level of the ancient Standard, they fall within the level of the *fixed charges and expences*, and the industry of the country dies. If then, we survive the shock of the Monetary *System*, we have still to contend with poverty, misery, and anarchy, in their wildest and most appalling forms. If we escape from 1825, we rush upon 1816 and 1819!! And if we subdue the cries of hunger, and the clamours of despair and madness in the population, we have yet to meet the ruin of the *Landlords*, which threatened

such terrible consequences in 1821 and 1822!! In short, turn which way we will, we meet *ruin*, and nothing but *ruin*!! We have no safety for the Crown, or for the People, but in the Bank Restriction Act.

I remain, Dear Sir,
Yours, with sincere respect,
THOMAS ATTWOOD.

To the Right Honourable Sir John Sinclair, Bart.

POSTSCRIPT.

There can be no doubt that a reduction of the Metallic Standard to about *one half* is competent to secure the country. An elevation of the price of Gold to the extent of cent. per cent., which is its necessary effect, is the only possible means, through which we can bring down *English prices generally*, to a level with Continental prices. It effects this object at once, without injury to any one. It makes ten shillings of English money equal to only five shillings of Continental money, and thus it equalizes English and Continental prices at once. It gives a *premium of 50 per cent.* upon the *exportation of British Commodities*. It imposes a *duty of 50 per cent.* upon the *importation of all Foreign Commodities*. It *supercedes all Corn Laws*. It preserves the *Wages of labour*, and the *Rents of Land* at the high war level.

It places a rock of security under the labourer's feet. It makes *labour* a *property worth having*, instead of being totally useless to both its *Seller* and its *Buyer*. It makes the *Master seek the Labourer*, instead of *bandying* the labourer from door to door. The labourer can never prosper unless his employers prosper. His employers can never prosper, if the prices of property are to fall within the *grasp* of the vested interests. The only property of the labourer is his labour. Without an ample and abundant *demand for his labour*, he can possess no security and no *liberty*. All the *liberty* that he can have, in such a state, is a choice between the Workhouse and the *Grave*. No demand can exist for his labour, if the employment of labour is to be a *warrant of ruin to the Employer*; and this it must certainly be, if the present Standard is persisted in. The reduction of the Standard will secure all interests; but not equally so with a Bank Restriction Act, under the superintendence of a Board of Controul.

It has been said, that the Bank of England is a *private body*, and ought not be interfered with. The fact is not so. The Bank of England is still a public body, possessing the most important *public* powers, and bound by the most powerful *public* duties. The Sultan of Turkey does not possess such an extensive and arbitrary power to *save and to destroy*, as the Bank of England possesses at this moment. The mere repeal of the Bank Restriction Act, *in the letter of the law*, is nothing; until it is equally repealed in

men's habits and opinions, and in its *general influence over the public mind*. It is through legislative Acts, that the Bank has been suffered to acquire this gigantic power in the country ; and therefore the legislature is still bound to take care that it is exercised for the public welfare. The Bank of England is still a public body to all intents and purposes. It still exercises great *public powers*, and is still bound by great *public duties*. It is in fact the MINT OF ENGLAND at this hour. Where the King's Coins effect one transaction, the Bank Notes effect one hundred ; and where the King's Coins discharge *one hundred pounds of Debt*, the Bank Notes discharge ONE MILLION.

LETTER I.

FROM SIR JOHN SINCLAIR TO MR. ATTWOOD, INCLOSING THE
PLAN OF THE FORMER FOR RELIEVING THE PECUNIARY
EMBARRASMENTS OF THE COUNTRY.

MY DEAR SIR,

I hope that you received my two packets. I now send you my Remedy, and will trouble you to return me your remarks upon it, *as soon as possible*, under Lord Glasgow's cover.

In haste,

Faithfully yours,

JOHN SINCLAIR.

133, George Street, Edinburgh, }
December 30, 1825. }

LETTER II.

FROM SIR JOHN SINCLAIR TO MR. ATTWOOD, RESPECTING THE EFFECT UPON FOREIGN TRADE, OF GOLD REMAINING AT THE OLD PRICE, WHILST ALL OTHER PRICES RISE CENT. PER CENT.

DEAR SIR,

I herewith return your letter of the 27th ultimo, after having taken a copy of it. There is a great deal of excellent matter in it. I shall be very glad *next* to receive the other letter with which you proposed to favour me. The only thing which requires explanation, is, why Foreign Nations (see p. 16.) began to purchase less goods, when the general range of prices rose to the war level, *and the price of Gold continued at £3 17s. 10½d?* Higher prices would certainly diminish demand,—but what is the direct effect of Gold being at the mint price? What, if it had increased to £5 per ounce?

I am very anxious to receive your remarks on my plan for remedying the Banking System of England.

I remain, in great haste,

Faithfully yours,

JOHN SINCLAIR.

133, George Street, Edinburgh, }
January 4, 1826. }

ON THE MEANS

OF RELIEVING THE PRESENT PECUNIARY EMBARRASMENTS
OF THE COUNTRY, AND PREVENTING THEIR RECURRENCE;
TOGETHER WITH THE PLAN OF A CHARTERED COMPANY FOR
PROMOTING THE SECURITY OF THE COUNTRY BANKS.

BY THE RIGHT HON. SIR JOHN SINCLAIR, BART.

It is quite practicable, by placing the circulation of the country on a proper footing, to prevent the recurrence of those melancholy scenes of distress, which are so frequently experienced *in England*. In Scotland, where a judicious system of banking is established, and where any number of persons can associate for banking purposes, they are *scarcely known*; and it is principally by transferring to England the same system, which the experience of above half a century has sanctioned in Scotland, that the great object in view, an advantageous system of *paper circulation*, may be attained.

In Scotland, during a period of *above fifty years*, only six banks have suspended payment,—only in two instances were there any deficiencies,—and these,

in all, did not amount to £30,000*; whereas in England, 71 banks stopped payment *in one year* † and great losses were sustained. Recent events have fully proved the superior excellence of the Scotch system. In England, in the short period of three weeks, sixty-one banking establishments in the country, and six in London, suspended their payments. These failures were attended with the most disastrous consequences, for they not only occasioned much individual misery, produced great depreciation of property, and brought sudden ruin on numbers of industrious persons, but materially injured *public*, as well as private credit, and essentially affected the revenue.

During this frightful convulsion in England, in Scotland ‘*not one*’ banking house has stopped. In various parts of England also, the same fortunate circumstance has taken place, but at the expense of immense sacrifices on the part of the bankers, or by means of the support they received from the great landholders, and most respectable mercantile interests in their immediate neighbourhood. The necessity, however, of applying to a number of individuals for

* See Hints on Circulation by the Right Hon. Sir John Sinclair, Bart. published in 1822, where the Scotch system is described in the Appendix, No 3. An account is there given of the six banks which had suspended their payments in Scotland, during the last 50 years.

† See Chalmers’s Estimate, p. 297, edit. 1804.

such aid, placed those banking establishments, in a most painful predicament.

It would take a lengthened discussion to explain, *in detail*, the plan I now beg to offer, as an effectual preventive of such mischiefs. Some *general outline* of it, therefore, is alone given, which may be extended if necessary.

1. The establishment of *respectable banks* by public licence, in every county of England where required, is the basis of the whole system. The advantages of such establishments, when properly regulated, cannot be questioned, (see Appendix); and to place them on a footing of security, I am persuaded that the Bank of England would forego its exclusive privilege of banking with more than six partners, in so far as regards *country districts*; as the Directors of the Bank *must be aware*, that the mischiefs which have lately been experienced, originated in a great measure from the existence of that monopoly.

In order, however, to induce the Bank to make that sacrifice *willingly*, the public should guarantee the existing dividend, during the continuance of the present charter, and should agree to give one year additional *of charter*, for one year relinquishment *of claim*; the monopoly, however, to be continued to the Bank, in so far as regards London and its immediate neighbourhood.

2. That a board of seven Commissioners, not Members of either House of Parliament, shall be appointed for licensing country bankers, without authority from whom, no engraved or printed notes payable to bearer on demand, shall be circulated, nor even then beyond the sums for which landed, funded, or personal security, has been given to the Commissioners. It is quite an anomaly, that we should hang one individual for coining a shilling, and suffer another to pass with impunity, who has circulated thousands of promissory notes, payable on demand, without the means of retiring them.

3. That a great Corporation shall be erected in London, to be called, "*The London Bank*," to act as a correspondent to such of the provincial banks as choose to employ it. This is a most important part of the plan. No private banker in London can stand his ground, when there is a great run on a number of his country correspondents. (A plan for erecting a great corporation, as the centre of country circulation, was drawn up by me some years ago; but unfortunately the public were not then ripe for its adoption. An abstract of it is annexed.) Such a corporation might likewise have the liberty of circulating notes *in the country*, leaving the circulation of London and its neighbourhood exclusively to the Bank of England; as that Bank, I trust, will always be found entitled to the confidence and favour of the public.

In times of distress in country districts, how much easier could a supply be conveyed, and a panic dispelled, could the alarm be met by the notes of such a corporation, issued under the sanction of public Commissioners, than by imperfect supplies of gold or silver ?

4. That, subject to the above regulations, the privileges of the Bank of England shall be continued ; for it is a corporation, which, on many trying occasions, has been eminently useful, and is conducted with much ability ;—that its notes shall be legal tenders in all public and private payments ;—and convertible into gold, at its average price for the preceding quarter, to be periodically inserted in the London Gazette.* Gold and silver, like other commodities, must vary in price ; and if those who require them, can get them at the market price, it is all they are entitled to expect.

* With great deference to the opinion of others, I would prefer silver for the following reasons : Silver is *indispensable* for the smaller, and consequently *the more numerous payments* :—it is harder, and less liable to wear than gold :—it cannot be so easily, or profitably melted down :—it cannot be exported, but at a greater risk and heavier charges :—all our accounts are kept in pounds and shillings, or in reference to silver :—it is the least subject to variation :—and it is the general legal tender in Europe and America. Indeed, silver ever has held, and probably ever will hold the prerogative, of being the general standard in commercial countries : gold being always valued by silver, but not silver by gold.

There are some excellent observations on the subject of silver as a standard, in Mr. Baring's speech, printed in Hansard's Parliamentary Debates for April, 1821.

Had silver been the standard, it would not have been so easy to have drawn from the banks their metallic currency, during the late alarm.

After having thought on the subject for a number of years, I am convinced, that a plan founded on the principles of this brief outline, would place the circulation of England, (on which the prosperity of Scotland and Ireland so greatly depends,) on a secure footing,—advance the national prosperity, and prevent those sudden reverses, to which, under the present system, we are constantly exposed. But to attain these great objects, *prejudices* must be got rid of and *sacrifices* made. That such a plan may be improved upon, is readily admitted; but if the principles are in general recognised, and acted on, any defects, which experience may point out, would easily be remedied.

The great object is, to secure a *circulation* distinguished by two great advantages; 1. Safety; and, 2. Abundance. When that great blessing is attained, all the industrious classes of the community are employed, the revenue flourishes, and the nation prospers. Whereas, when circulation is diminished, confidence is destroyed, and the whole nation, with the exception of a few opulent classes, must experience great distress.

JOHN SINCLAIR.

133, George-Street, Edinburgh, }
1st January, 1826. }

LETTER V.

FROM MR. ATTWOOD TO SIR JOHN SINCLAIR, ON THE ESTABLISHMENT OF JOINT STOCK BANKS IN ENGLAND.

Birmingham, January 9, 1826.

DEAR SIR,

I have received the favour of your letter of the 4th instant. In the last three or four years, when the prices of Commodities generally rose to the *War level*, or about *cent. per cent.* above the *Peace level*, *Gold itself did not rise at all*, but continued at the ancient price of £3 17s 10½d per ounce. Thus the *doubling* of our prices was literally demanding from foreigners two ounces of Gold instead of *one*, in exchange for the very same amount of British Commodities!!—Now if *Gold had been raised in price* correspondently with the rise of other prices, then no exportation of Bullion would have ensued. Gold would not then have been the *cheapest Article for export* which merchants could find, and consequently it would not have been exported, but on the contrary, would have continued to be *imported* as long as it could possibly be wanted.

I am sorry I have delayed so long to reply to your favour of the 30th of December. The plan which it suggests is good, if *taken without reference to existing*

circumstances; that is to say, it would have been good originally. But in my opinion, considerable obstacles exist now to the *general and sudden introduction of the Joint Stock Banking System into England*. Observe the real facts in England. Of all the Banks which have failed, or stopped payment since the war, not one in ten has done so from any *real insolvency* in its affairs. The whole, or nearly the whole of the ruin, has been occasioned by the *secret and unseen* operations upon the Currency, which have literally *swindled* the Bankers out of their property, and have then made them insolvent to their *Creditors*, by first making their *Debtors* insolvent to them. The unhappy wretches have been first robbed of their own property, they have then been robbed of their creditors' property, and they have then been robbed of the last comfort of the wretched—their *Character*. Now it is not right to charge upon these unhappy men the ruin and the misery of which they are themselves the *victims*, and not the *cause*. It is right to lay upon the Government, and upon the Government alone, as a venerable friend of mine remarked to me a few days ago, all the Bankruptcies, and all the miseries of which their injudicious attempts to restore an unjust and impracticable standard have been the cause.

But independent of this unjust charge, upon which the expediency of Joint Stock Banks would be founded in England, it is with me a very serious question, whether they would have it in their power to manage

their affairs *so well as individuals manage them* ; or at any rate, whether they would be able, upon a more rigid system of management, to distribute the usual proportions of Banking Accommodation to which the English public have been accustomed, and without which, it is probable, that the English public could not flourish.

Another grand fact also remains, which is calculated to alarm the warmest friend to the establishment of Joint Stock Banks in England. It is this--*Eight hundred English Banks yet exist.* They have all had considerable demands upon them, without exception. They all stand now in *injured*, not to say in *doubtful*, credit. They have all vast masses of money lodged in their hands by their customers, the whole of which is payable on *demand*, or upon very short notice, *upon pain of ruin.* They have also all of them vast masses of money *lent out* to the Public, in a thousand shapes and directions ; nearly the whole of which is literally *locked up*, and cannot be obtained *suddenly* by any human exertions, however safe it may ultimately be.

Now, if Joint Stock Banks should be forcibly established throughout England, the probable consequence would be, that the superior credit and influence of such large and influential bodies of proprietors, would draw out of the present Bankers' hands, a great part of their present *balances and deposits of money.* But the Joint Stock Companies would not

take any of the *locked up debts*, and other entanglements of the present Bankers. These would remain as a *legacy of ruin* to the unhappy owners. The Bankers would be deprived of the funds and resources upon the credit of which they have *lent out and locked up money*; but not one of their *bad*, or *doubtful*, or *locked up debts* would be removed from their shoulders!! The consequence would be, in my humble judgment, such a mass of private and public ruin as has perhaps never before been witnessed.

I beg you will excuse the freedom of my communications. The subject is important. The whole mass of monetary obligations, public and private, is already shaken to its centre. Every thing should be done to *support public credit, as it is*. When once the present fabrick is firmly supported and fixed, we may proceed to make improvements. But if we *touch* the mighty structure *now* with a rash hand, we may bring down the whole social system upon our heads.

When *habits* have long been formed in a community, they become necessary to the public welfare, and cannot be removed without injury. Now, the Scotch system of Banking does not give *one-half* so much accommodation to the *Public* as the English System gives. How then could English Society bear the contraction of such a change? The English System, with its £1 notes, nourishes and calls into in-

dependence thousands of workmen every year. It encourages the *Little Capitalists*, and discourages the growth of enormous fortunes. The Scotch System, on the contrary, depresses and keeps down the *Little Men*, but with regard to *overgrown traders*, it gives “*its sum of more to what already has too much.*” No enormous fortunes have been made in Warwickshire and Staffordshire since the Paper System was established ; but hundreds and thousands of small fortunes have been made by its assistance. In Scotland, I apprehend, the case is different, and so it is in Lancashire, where the overgrown traders monopolize the country, and keep down those innumerable traders, who would rise up to moderate affluence, if the £1 notes were generally issued in that county. It is universally known, that the working mechanics of Warwickshire and Staffordshire, are *better off* than those of Lancashire. To what is this owing, but to the encouragement which the Banking System and the £1 notes give to the little capitalists ? who are thus enabled *to bid freely in the market of labour* for the labour of the mechanics. Is this the case in Scotland ? Are not the mechanics kept down from rising by the system of Banking established there ? I think they are. I think the English System of Banking is excellent in all points, excepting only in this. It is not so capable as the Scotch System of resisting, *pro tempore*, the ruinous and unjust attempts

of the Government to *force* upon the country an undue and impracticable Metallic Standard.

I remain, Dear Sir,
Yours, with sincere esteem,
THOMAS ATTWOOD.

To the Right Honourable Sir John Sinclair, Bart.

LETTER III.

FROM SIR JOHN SINCLAIR TO MR. ATTWOOD, ON THE COMPARATIVE MERITS OF THE ENGLISH AND SCOTTISH SYSTEMS OF BANKING.

DEAR SIR,

I had the pleasure of receiving your letter of the 7th current, which is written with your usual fund of information, and extent of ability.

I have no doubt, that different systems are applicable to different countries, forms of governments, and stages of society ; and, as you well observe, "*that when habits have been long formed in a community, they cannot be suddenly changed without injury.*" But there is no habit or system that may not be *gradually altered and improved upon*, and that seems to be peculiarly the case in regard to the English mode of Banking.

There is, certainly, nothing more desirable than to place the Banking Establishments of a country on a proper footing. When that is accomplished, a nation is supplied with a medium of circulation *without ex-*

pense, instead of being obliged to purchase gold for that purpose, which must in general be procured *in exchange for commodities, sold at a low price.*

Indeed such are the advantages of a Paper Circulation, that the establishment of Banks cannot be too much encouraged, provided the payment of the notes they put in circulation is secured.

You seem to attribute, not only the late embarrassments, but also our former pecuniary distresses, almost exclusively to the change of our currency ; and the injudicious attempts to restore an unjust and impracticable standard. That the measures founded on the report of the Bullion Committee, have had most pernicious effects on the national prosperity, no man has more firmly maintained than myself. But our apprehensions on that head ought to be kept within due bounds, for the greatest evils have, in themselves, some means of alleviation, *and the seeds of repair.*

In Scotland, which is subjected to the same laws in regard to currency, as the rest of the kingdom, there has not been, during the late convulsion in England, the slightest pecuniary embarrassment. That is entirely to be ascribed *to our superior system of Banking*; and it may be confidently asserted, that had the Paper Circulation of England been equally well secured, the mischiefs which have lately been experienced there, *would never have arisen to the height*

they did. Gold would not have been so eagerly demanded, *had the solidity of the Paper in circulation* been placed beyond doubt.

You contend that Joint Stock Companies will never manage their affairs so well as private individuals. I cannot concur in that opinion.—Private individuals are too apt to engage in hazardous speculations, which the directors of a Public Bank cannot, with any propriety, attempt, and would not be prevailed upon to sanction.

A Public Bank can only be a *dealer in money*. A Private Banker may not only act in that capacity, but may secretly become a manufacturer, a miner, or a merchant.—There is a publicity, also, in conducting the affairs of a great Company, from the number of clerks and other officers employed by it, which operates as a salutary check on either speculation or mismanagement.

You question much, whether Joint Stock Companies could, under a more rigid system of management, be able to distribute the small proportions of banking accommodation, to which the English public have been accustomed ; and you contend, that the Scotch does not give one-half so much accommodation to the public, as the English system of Banking. But this is quite a mistake. In proportion to its population and wealth, no country is so well supplied with Banks

as Scotland.—There are, in all, including branches, not less than 225 Banking establishments in it.—The greatness of the number is of the utmost service to the public; for by their rivalship, the Circulation is always kept full, and their weekly exchanges, *in a narrow country*, prevent the Circulation from being redundant.—In an extensive country, however, like England, *limitation, effected by exchanges merely*, would not, probably, be sufficiently guarded against abuse, and *limitation of quantity may likewise be necessary*.

In regard to accommodation, the system of granting “*Cash Accounts*,” as they are called, is an invaluable part of the Scotch System. It is the safest and best mode of accommodation that has ever hitherto been invented; and it is singularly useful *to small Capitalists*, who may either pay into, or take out from, their cash accounts, the smallest sums, as suits their convenience.

On the whole, I am convinced that Banking is, *in practice*, better understood in Scotland than in any other country; and hence, with a barren soil and a wretched climate, it is, at the present moment, the most prosperous country in Europe; while its prosperity is entirely founded on a Paper Currency; for there is not a single sovereign or guinea to be found in its common circulation.

You have very properly deprecated any sudden change in the English system, and you remark, “that though my plan of requiring security from the Bankers might have been originally good, yet that in England it is not at all calculated for *existing circumstances*.” It cannot be questioned, that the interests of Eight hundred Country Bankers, who have stood the test of this dreadful convulsion, are well entitled to protection. If the Bank monopoly, however, were extinguished, it is probable that a considerable proportion of Country Bankers, would take advantage of such a circumstance, to add to the number of their Partners, by which their capital would be increased, and their credit augmented; and thus the new system might be *gradually introduced*, without injury to the old establishments. Besides, though there are three chartered Banks, and two large Joint Stock Companies in Edinburgh, there are not less than eight private Banking Associations in that town, so that *private Banking* and large *public Establishments*, are not inconsistent.

It would in a great measure recompense the calamities attending the late convulsion, if the extinction of the mischievous monopoly of the Bank of England resulted from it. All monopolies are declared by the Law of England, illegal and void; but the power possessed by the Directors of the Bank of England over the circulation, and, through that main spring of influence, over the commerce—agriculture—industry

and property of the Country, is the most exorbitant ever heard of. By the will of twenty-four Directors, the prices of all articles may be either raised or lowered ; public credit, and the price of public securities, may be either improved or diminished ; and individuals may be enriched, oppressed, or undone, as suits their pleasure. During the late Bank Restriction also, most enormous sums were divided among the proprietors. But though the Directors, on the whole, conducted themselves well, in very trying circumstances, yet their powers are much beyond what any set of men ought to possess. The only remedy is, the extinction of so odious a monopoly, and the establishment of another Bank, by whose rivalship, such enormous powers may be kept within due bounds.

I am very much gratified with the free and manly manner in which you have stated your sentiments on this most important subject. It has thence been more thoroughly discussed between us, than otherwise it would have been ; and perhaps it might be of use were we to print the substance of our correspondence in a corrected form, for circulation amongst our friends. The Ministers also, would thus be enabled to understand the question better than it is pos-

Note, p. 4.) † See an Account of them in Smith's *Wealth of Nations*. Book 2, Chapter 2.

sible for them to do without that information with which our correspondence would furnish them.

How fortunate would be the result, if it led them to act *on that improved system of politics*, by which Great Britain would be rendered what Scotland now is,—“*Independent of Foreign Nations for Circulation and Food.*”

I remain, with much esteem,

Dear Sir,

Your faithful and obedient Servant,

JOHN SINCLAIR.

133, George-Street, Edinburgh }

1st January, 1826. }

N. B. I should be very glad to receive any remarks on this letter that may occur on its perusal, as soon as you can find leisure to send them.

LETTER VI.

FROM MR. ATTWOOD TO SIR JOHN SINCLAIR, ON THE COMPARATIVE MERITS OF THE ENGLISH AND SCOTTISH SYSTEMS OF BANKING, AND ON THE EXPEDIENCY OF RENEWING THE BANK RESTRICTION ACT.

Birmingham, 28th of January, 1826.

DEAR SIR,

My letter of the 9th inst. had reference "*to the general and sudden introduction of the Joint Stock Banking System into England,*" by some peculiar encouragement and excitement of the Government, and my arguments will not apply very strongly to the mere repeal of the ancient law which prohibits it. A mere permission for bodies of persons to open Banks, would, I think, be of little importance in the present state of the money markets. It would probably not lead to the present establishment of one single Joint Stock Bank ; because the necessary Capital could not be raised without the shares falling to a very large discount, almost as soon as they were subscribed for. The Irish Provincial Bank, for instance, was established under far more favourable circumstances with regard to the raising of capital, and to the places of operation ; and yet the shares in

that concern bear a discount of 40 per cent. upon the capital advanced, the shares selling for only £6 each in the markets, although £10 each of capital has been paid upon them. And this heavy loss of 40 per cent. upon their capital has been already incurred, through the mere contraction of the money markets, in the face of the known and acknowledged fact, that the *Irish Provincial Bank is in itself highly flourishing and prosperous !!*

Now if such an enormous loss as this has been incurred by the Shareholders of the Irish Provincial Bank, which was established *when money was plentiful*, and which has to operate in an intirely *unoccupied Country*, what must be the necessary loss upon the shares of any English Joint Stock Banks, which would have to raise their capitals in the very same money markets, *when money is scarce*, and which would hardly be able to find a single town in their district, where the ground is not previously occupied by long established and formidable rivals? In my opinion, it would not be possible *in the present state of the money markets*, to raise the necessary capital in any town in England, without an immediate loss of 50 per cent. falling upon the Shareholders!! Unless the ancient Metallic Standard was first removed, from the Circulating System, the Joint Stock Banks in England, would be more complete "*Bubbles*" than any that we have witnessed in the last two years; and in-

stead of relieving, in any way, the general distress, they would aggravate the general mischief. They would cause injury to themselves, and to the existing Bankers, and be of no possible use to the public. In whatever degree, they might be supposed to afford to the public a *more secure* species of circulating Medium, in the very same degree they would *render the existing circulating Medium more insecure* than it now is; and the injury which they would cause to the public in this way, would far more than counterbalance any possible benefit which they could produce in all other ways.

But my principal objection to the establishment of Joint Stock Banks, at the present period, in England is, that *they would be founded in error*. As a principle of Free Trade, giving to every man the power of employing his capital in any way that he pleases, I can have no objection to them, *provided they are not unduly encouraged by the Government*. But they would now be founded upon the erroneous opinions that something is wrong in the English system of Banking, which has greatly contributed to the late and present distresses; and that the Scottish system of Banking would tend to relieve those distresses, and prevent them in future. Both these opinions are entirely unfounded. There is nothing wrong in the English system of Banking. There is nothing in the Scottish system which could relieve the present dis-

tresses or prevent the future. The only charge against the English Bankers is, that they have *given way* under the unmeasured plunder that has been practised upon them. The Scottish Banks, on the contrary, have *shook the ruin around them*, and have thus saved themselves at the expence of the public. They have not *given way* like the English and Irish Banks, because the great influence they combine has enabled them, in some degree, to set at defiance *the law of the land*, and to do with the public just as they please. If I am rightly informed, there is not a lawyer in Scotland, who will dare to put the law in force against any of the Scottish Banks, and compel them to pay in Gold.

If this law were now to be put in force, every Bank in Scotland would probably be compelled to stop payment in a week ! for there is not *one sovereign* in that country to every *ten notes*. If, therefore, the Scottish Banks hold up longer than the English, it is because they exercise a greater power over the public, and when they *do* yield, the ruin is comparatively so much the greater.

In England, the Banks easily *give way*, in the event of any defect occurring in the management of the Currency. In the hands of a wise Government this defect ought to be productive of advantage, by enabling the Government instantly to ascertain the

evil, and to remedy it. Under the Scottish system, it might, perhaps, be concealed until the remedy was too late.

If, indeed, it could be shewn that the failures among the English Bankers, or even any considerable proportion of them, could be justly attributable to any want of property in those Bankers, or to any speculations in business which they have carried on, then, indeed, we might reasonably find fault with the system under which they act, and endeavour to amend it. But this is altogether an error. It can be proved beyond a doubt, that nine-tenths of those failures have been occasioned entirely by *actions on the Currency*, which by causing the public to *contract debts* in a *cheap and abundant Currency*, and then to *repay such debts* in a *dear and scarce Currency*, have first rendered the public insolvent to the Bankers, and have then, as a matter of course, rendered the Bankers insolvent to the public in return. It is the business of Bankers to stand, as it were, between the *Creditor Interest* and the *Debtor Interest* of the country, giving their security to the former for the surplus capital which, from time to time, they may have at disposal, and then undertaking the duty of lending it out to the latter, upon such temporary securities as they may approve. These securities are generally *good*, as long as the money continues of the *same va-*

lue; but if the money becomes suddenly more valuable and more scarce, then the securities become *bad*; and unless the banker in some degree foresees the change, and provides against it, he cannot fail to be injured. If he does foresee it and guard against it, he calls in his securities *in time*; he shakes the ruin from off his own property and his creditors' property, and throws it upon the *Creditors of his Debtors*.

But it is not to be expected that Bankers can generally be political economists; and still less is it to be expected that they should have the power of anticipating the decisions of Government from time to time, when those decisions have been generally founded upon *one secret, silent, and persevering* determination, to restore the ancient Standard of value, *through any consequences to which it may lead*. Accordingly the Bankers have generally been taken *by surprise*. Their property has been *twisted* out of their hands *in an unseen way*. The property of their Creditors has then been *twisted out* in a similar way; and these latter, astonished at their losses, and equally ignorant as the Bankers themselves upon the subject, have been induced to attribute them to *poverty* or *criminality* on the part of the Bankers; and in fact to every cause but the right.

I remember in the year 1822, when the Banks in

the South of Ireland all, or almost all, stopped payment, Mr. Frankland Lewis was reported in the public papers, to have asked Mr. Vansittart in Parliament, "whether Ministers had devised any plan of bringing to justice, the *fraudulent* Bankers in Ireland, who had lately *swindled* the Irish Public in such a cruel way?" Mr. Vansittart was reported to have answered, "that Government had not yet succeeded in devising any positive plan, but the subject still occupied their serious attention!"

I was indignant to see these *swindled and murdered* men treated in this "*cruel way*," and I wrote to a friend in Ireland to get me the history, the "birth, parentage, and education," the life, property and character of them all. My friend took a good deal of pains to satisfy me; and to the best of my recollection, out of the whole fourteen banks that had failed, there was not one, which had not possessed considerable property during the war. But by the secret and unknown change of the Currency, Irish Wheat had fallen to four shillings per bushel, and Irish Land, provisions and other property had fallen in a similar degree. But the debts and obligations *contracted in the same cheap money*, which had made the former high prices, and which had existed for twenty years *had not fallen at all!!* Universal insolvency was thus scattered throughout Ireland, of which the unhappy Bankers were the *victims* and not the *cause*.

The story of two brothers was rather a striking example. They said to their creditors, "We began business, as Bankers, thirty years ago, with £25,000 capital between us. By industry and economy we increased our capital to £90,000. But we have latterly met with great losses and misfortunes. We have *written off* upon our books £200,000, of *bad debts*, and we have still £70,000, of *doubtful debts* remaining." "What speculation—what imprudence must have been here!" said the creditors. "No," said the bankers, "we must defend ourselves from that charge. We have carried on the business for thirty years upon the *very same principles, and under the very same conduct*. For the first twenty-four years, up to 1815, our *bad debts* never averaged *more than* £500 a year. *But for the last six years, it seems to us that every debt that we have made has been bad!!*"

I mention this, in order to guard against the fatal error, that the *bankers* have caused the mischief. It is the *ruin among the public*, that has first *ruined the bankers*, before the ruin of these latter, could react upon the public in return.

No mischief has, therefore, arisen from any thing wrong or defective in the Banking System in England. The whole has arisen from the impolitic and unjust operations upon the Currency.

If the above arguments are correct, it follows that the Scottish System of Banking is not wanted in England. It could, probably, do no harm, in the present state of the money markets. But if Government should bring it forwards as an influential and important measure, calculated to assist in supporting the present Metallic Standard, and should; therefore, assist and encourage its being carried into general operation; it would, in this way, be found powerful to all manner of evil, without the possibility of doing any kind of good. It would *turn aside* the public attention *from the only cause* of all their sufferings and of all their dangers. It would injure and endanger the present bankers, upon whose solvency and credit *the very existence of the Government depends*. It would endanger one Circulating Medium, without the possibility of supplying another. And after all, when carried into effect, the Metallic Standard would *crush it to atoms!!*

Supposing the Metallic Standard to be properly *adjusted* to the existing depreciation of the Currency, or supposing the Bank Restriction Act to be renewed, I am still of opinion, that the English System of Banking *is the best*. It presents every where small bodies of respectable and wealthy men, who are not so *powerful as to set the law at defiance*, nor so independent as not to have a strong interest in obtaining the confidence and good-will of the public. Their general issue of Cash Notes, also, gives them induce-

ment to *lift up the weak into a wholesome rivalry with the strong*. It is *their* interest to gather around them, all industrious, prudent, and frugal men; and to nourish and encourage them into independence and affluence. Every person of this description flies to the banker; and there he finds a friend. While struggling with the difficulties, which always attend the breaking out from poverty into independence, the banker takes him by the hand, and clears the way before him. He supplies him with a little assistance, from time to time, in all the accidents to which he is exposed; and after a little while, he raises his head above his difficulties, and becomes enabled to remunerate the banker in various ways.

It is thus, that in England, thousands of *workmen* and others, who have first saved a little money of their own, are annually nourished and brought forwards into a state of independence. It is thus, that they are made *Buyers of Labour*, instead of *Sellers of Labour*; and that the demand for labour being thus *relatively* increased, the situation of the labourer is *relatively* improved. This is the reason why the mechanics of Warwickshire and Staffordshire are *better off* than those of Lancashire. And the same reason will tend also to explain, why innumerable *small fortunes*, and very few *large ones*, exist in the former counties, whilst the contrary is the case in the latter county. The merchants and manufacturers of Manchester are sensible of this effect of the issues of Cash

Notes, among the English Bankers, and they have therefore always opposed the issuing of Cash Notes by the Manchester Banks. There can be no doubt, that in England generally, the issue of Cash Notes by the Bankers, upon their present System, has a strong tendency to improve *the relative wages of labour* and the *situation of the labourers* on the one hand, whilst on the other, it has nearly an equal tendency to *diminish the profits of Capital*, and to prevent the accumulation of *enormous fortunes*. No one, I think, who takes a *Statesman's view* of the subject, or who, in fact, does not take the narrow and interested view of a *mere Tradesman*, will deem these effects of the English system of Banking *evils*. In my opinion, they are effects of the very highest importance to the strength, the security, and the happiness of the nation.

Nothing of this kind, however, is found in Scotland. *There* the Joint Stock Banks are generally conducted by *Agents*, who have little or no interest in the issue of the Notes ; or in lifting up the *weak* into a wholesome competition with the *strong*. On the contrary, they are generally made responsible for any *Bad Debts* which they may make ; and thus they *bear themselves all the risk* of giving encouragement to humble merit, while the Shareholders themselves have *all the gain!!* The consequence of this is, that the public accommodation in Scotland is carried to a very limited extent, in comparison with

what the English Public have been accustomed to ; and what accommodation there is, is generally confined to the *greater Capitalists*, who have influence in the Banks, and *who give security for each other*. The Banks may, in fact, be said to be *combinations of Capitalists*, who usurp great powers into their hands, and use them more for their own individual aggrandizement, than for any general accommodation of the Public.

It is upon this general illiberality of the Scottish Banks, that Mr. Maberley has been induced to found many *private Banking Establishments* in that country, within the last few years ; and from what I have been able to learn, those Establishments have rendered essential services to the country, by compelling the Joint Stock Banks to expand and liberalize their system of operations.

There does seem, therefore, strong reason to think that the Scottish system is no better than the English system ; and in whatever degree it may be supposed to excel the English *in point of security*, there is ample reason to believe that it falls short in point of *public utility*.

But, in truth, the failures among the English Banks have been much exaggerated. It is not correct, that 200 of the English Banks *failed* in 1815 and 1816. More than 100, out of the 200 alluded to,

merely *retired from business*, on account of the storms that surrounded them; and of the remaining 100, I believe that not more than 70 ever wound up their affairs under an insolvency. Of these 70, there might perhaps be ten or twelve who were never persons of property, and who had, in fact, usurped a station which they were not entitled to. But I would undertake to *prove*, that at least 5-6ths of those who *failed*, were fully competent to pay 20s. in the pound, if justice had been done to them; that is to say, *if they had been allowed to pay their debts in the same cheap and abundant money, in which their debts were contracted.*

The public mind ought to be *disabused* with respect to these unfortunate men, and to the hosts of others, who have been ruined in a similar way, during the last eleven years. The secret operations of the Government upon the Currency have directly caused 9-10ths of all the ruin that we have seen. In 1816, in 1819 and 1820, and in 1825, these have been the three great periods in which these *secret* operations have been going on. In the two former periods, the ruin was rather *slower* in its progress than in the latter; but in each period it was exactly the same. It was the pressure of the ancient Metallic Standard, which, in every instance compelled the Government *to call in the Paper Money; which the pressure of the public necessities had in each instance previously compelled them to issue.* If the

Government had proceeded at once to restore the Metallic Standard in 1816, when the Bank Restriction Act was intended to expire, *no Government could have existed in a Month!!* The secret operation was therefore suspended for awhile, and the Bank issues were increased. In 1819 and 1820 the Government proceeded a second time to the same object, but they proceeded more slowly and cautiously, through plots, and conspiracies, and horrors. In 1822, they were again compelled to relax their *grasp* upon the Nation's *throat*. In 1825, the ruin has been attempted a third time, but it has again been found necessary to stay it, by renewing the issues of Bank Notes. The Country has thus, "*resembled a Victim in the jaws of a Tyger, escaping at one moment, in order to be again seized the next,*" as I foretold would be its fate, in my printed letter to Lord Liverpool, published in May 1819.

And can we wonder that men should have *failed* under such tremendous operations as these? *Three times* they have been *tempted out in the sunshine*, and three times the *storm has been sent to burst over their heads!!* Three times they have been *tempted forth to move, to walk*, to contract debts and obligations, and to work the great machinery upon which the existence of men depends; and *three times the solid earth has been taken from under their feet, by the secret and arbitrary power of the legislature!!* This is the way in which the public have become insolvent to

the Bankers, and have thereby made the Bankers, in many instances, insolvent to the public in return !

I will mention one or two local instances out of a thousand which have come within my own knowledge. I knew a family who laid out £60,000, in a manufacturing establishment, which, in 1816, they *were compelled to sell* for less than £5000 ; and yet the purchaser gained £20,000 *a year, by the very same works*, during the next two years, 1817 and 1818 !! At one period, the action of the Currency had given *a positive loss*, instead of a profit, to the works in question. At the other period, the renewed issues of Bank Notes had given an *expansive* action to the Currency, which occasioned an enormous profit. I knew an individual who, in 1815, had paid £14,000 *in cash*, for a mineral property of great value, upon which he had £6000 more to pay, by instalments of £1000 a year. When this property was advertized for sale in 1816, the whole of the £14,000 was gone ; and no one could be found who would take the property for *nothing*, subject to the £6000 !! And yet, this property, in a short time afterwards, sold for near £40,000 !! Could it be wondered that these men should become insolvent to their Bankers ; and could the Bankers be blamed for not foreseeing unheard-of operations of this kind ? In these instances, the value of money was *strung up many hundreds per cent., instead of 4 per cent.* ; and again it was depreciated in nearly a similar degree ! It is thus that the Legis-

lature, under the pretence of giving us a “ *healthy Currency*,” and a fixed state of things, have, in reality, given nothing but instability and uncertainty to every operation on which the existence of mankind depends. Under the pretence of *doing away with speculation*, they have compelled nothing but the *wildest speculation to exist*. The very *cultivation of the earth* has become *now* a speculation so exceedingly wild and precarious, that it may be deemed a matter of absolute certainty, that *every Farmer who sows the earth this Spring, will reap poverty instead of riches in the Autumn!!*

I allow the wisdom of your remarks in your excellent letter of the 16th instant. It is true, “ the greatest evils have sometimes *in themselves the seeds of repair*,” and it is wonderful to what an extent this principle has exhibited itself in England, during the last ten years. If men, generally, could have understood the operation that has been going on, *the cultivation of the earth could not have taken place!!* But the elastic energy and the ignorance of the public mind have counteracted, in a great degree, the errors of the Government.

I think you must have been misinformed in saying, that “ there is not the slightest pecuniary embarrassment in Scotland.” I apprehend, that the distress *there* is quite equal to what it is in England, although it has not exhibited itself in the failure of Banks.

The Joint Stock Banks, however, are not invulnerable. *Five or six of them have lately stopped payment in the United States*; and there cannot be the shadow of a doubt, that every Bank in Scotland would have stopped payment before now, if the Bank of England had not encreased its issues five weeks ago. There is, then, some good in the very weakness of the English Banks, which gave early notice of the approaching ruin, and thereby gave the Government time to guard against it. If all the English Banks had been upon the Scottish system, it is not improbable that the danger would not have been understood or believed until it was too late to remedy it.

I allow that *private* Bankers do sometimes “engage in hazardous speculations.” But this is not a frequent occurrence. The *certain discredit* that attends any conduct of this kind, is such a certain *corrective*, that, generally speaking, Bankers are the very last men who are given to *speculate*. They see so much also of the ruin of speculation, that they generally entertain a perfect horror of it. The only *rock* which Bankers generally *split upon*, is the unwillingness to sit down contented under any *given and moderate loss*, which they may now and then be liable to among their debtors. When they have made a bad or doubtful debt, to a reasonable amount, they sometimes are induced to increase it, with the view of recovering it, or “*working it round*,” as it is

called. In other words, *they shoot golden arrows after the wooden one, and both are lost ! !*

There does not appear to me to be any impropriety in a Banker becoming "*a Manufacturer, a Miner, or a Merchant.*" It is never his interest to interfere extensively in a rivalry with others ; if he does, his interest and his character will soon convince him of his error. But in a moderate and prudent way, it cannot be otherwise than beneficial, that a banker should be permitted to increase his capital by every means in his power, and to extend and improve his knowledge of men and things, by coming now and then into more immediate contact with the trades and interests which surround him.

I hardly understand what you mean by "*Cash Accounts*" kept with the Scottish Banks. In England that term means, an account current *having cash in the Banker's hands*, belonging to a customer, and of course at liberty to be drawn out as it may be wanted. In Scotland, I apprehend it means the banker having previously discounted some bills for the customer, and placing the cash thus produced to his credit. In this case, the customer probably sends in his bills to the bank the day before, and humbly waits for his answer whether they will be discounted or not. In England, the thing is deemed a matter of course, that the banker should discount all the good bills which the customer may have received in the course of his busi-

ness ; and if the banker becomes discontented with the quality or magnitude of such bills, he refuses them, or remonstrates upon the subject, and the account is altered or closed. But, generally speaking, it is assumed as a matter of course, that if ever a respectable tradesman wants *discount*, he is entitled to calculate upon it, and even to *take it without asking for it*. And so with respect to any moderate and *uncovered advances* of cash or bills, a respectable tradesman, who has been accustomed to keep large balances in his banker's hands, thinks himself entitled to *overdraw* his banker's account for short periods, whenever his occasions may require. The banks are thus made to act as great *regulators* in the monetary machinery, keeping the balances of one man to-day, and of another to-morrow, who have no immediate occasions for their use ; and giving back the use of such balances to the same parties, or to others, according as their occasions may arise.

You seem to deprecate the gigantic power of the Bank of England, (although that power has but lately been used to the salvation of the Government ;) and yet you seem to acknowledge that the *power* of the Joint Stock Banks in Scotland is, in some degree, analagous thereto ; for you expressly state, that they preserve their bank notes in circulation, although "*there is not a single Sovereign*" to be found in circulation wherewith to pay them. Our English Banks have prepared themselves better, to submit to

the *Iron Law* which compels them *to pay the whole of their debts in Sovereigns, although they have never received Sovereigns for a hundredth part of such Debts!!* I will venture to assert, that the Scottish Banks must be prepared also ; or we *shall very shortly witness among those Banks far greater ruin and confusion than we have ever yet seen in England.* The house in which I am concerned, gave up the issue of small notes five years ago, in express anticipation of the late storm, and your Scottish Banks must do the same; or their Joint Stock Capital will never protect them, under the storms that are approaching.

With regard to *the Banks giving security for their Circulation of Notes*, I think it is a vain and futile measure. The Banks will not submit to it. They will rather discontinue the circulation of notes at once ; unless, indeed, Government, in *taking the security out of the Bankers' hands*, will *take also the burden off his back* ; and in this case, the notes of the country Bankers will become *Assignats* or Government Notes, to all intents and purposes. To suppose that the country Banker will first put *the means of paying his notes* into the hands of Government, and will then continue to issue them for the mere honour of being compelled *to pay them again himself*, is quite incredible. The best security that we can get from the country Banker, is to act justly and honestly by him, and not to compel him to pay his notes in a kind of money which is of full *double the*

value of that which he has received for his notes. Let us act justly by the country Banker, and make his notes payable in a just and equitable money, and you may be assured that we shall have no occasion for any further security. All his debtors will be solvent to him, and he will be solvent to his creditors. But if we are to persevere in our present Metallic Standard, all that the country Banker can do with prudence is, *not to lock up his securities in the hands of the Government ; but to call in his notes from the hands of the Public*, and generally to get in his debts and effects with all possible expedition. In this way, he will *shake the ruin from off his own shoulders*. *But if he attempts to give security, he is lost.*

I think I must have sufficiently proved, that it is no defect in the present Banking System which has caused the present distress ; and that no alterations of that system will relieve it. I have discussed the subject thus at length, because I am anxious that the public mind should be *disabused*, and that the public attention should not be continually drawn away from the *real and only* cause of all the public sufferings and dangers. It is surprising to reflect how grossly and continually the public mind has been deluded. I cannot think that the delusion has been *intentional* ; but really, when we have heard cries for ten years together, of “ *the wolf here,*” and “ *the wolf there,*” and “ *the wolf every where,*” but in the *right place*, it requires no small stock of incredulity

not to suspect that some secret conspiracy has been at work, of which both Government and people have been made the victims. In counteracting these delusions, you have done your duty, and I have done mine. About a dozen other individuals have laboured in the same cause. We have all laboured in vain. We may now sit down in peace, and watch, with a quiet conscience, the sure approaches of that mighty ruin which threatens the Government and the country.

I cannot but express my regret that *you*, who have always understood this subject so perfectly, should at this momentous crisis, have lent your powerful assistance in confirmation of the general error, that something wrong in our Banking System has caused our late and present distresses. It is calculated to do much mischief. It is altogether incorrect. The mischief began with the *Merchants*, and not with the *Bankers*. Five or six eminent mercantile Houses had stopped at Liverpool, as many had stopped at Manchester, and Mr. Samuel Williams and others had stopped in London, *before a single Bank was affected*. Upon the occurrence of these failures, I wrote, at that time, a paper calculated to prove that the whole of the Country Bank Paper was about to get into great discredit, and that a total explosion was about to take place among the Country £1 notes, *unless the Bank of England was prepared previously with £1 notes*, with which the Country £1 notes might be either

paid, or supported in circulation. I sent this paper to a quarter, where I thought it might be useful ; and in a fortnight afterwards, the *Devonshire Bankers* began to *give way*, and to confirm all my anticipations. How then, can the Bankers be called the *cause* of the *ruin*, when the ruin among the Merchants took place *before* the Bankers were affected ? The truth is, that it is the pressure of the Metallic Standard, which is the only cause of the national mischief ; and, therefore, that mischief will never be redressed until the pressure of the Standard is relieved.

It is instructive to recapitulate the various and conflicting *causes*, which, for ten years together, have been adduced as occasioning the national distress. In 1816, we were told that it was "*the change from War to Peace*," which made the mischief. I publicly *proved* that it was nothing but the *contractive action upon the Currency* which caused it, and that were it not for such *contractive action*, a great increase of *prosperity* would have been our lot, instead of a strange and unheard of *adversity*, on the return of peace. When the Staffordshire colliers were dragging waggon loads of coal to London, and the Manchester *Blanketeers* were threatening the Government, the Bank Notes were again reissued in abundance, and the ruin was relieved until the Autumn of 1818. At this period the *contractive action* upon the Currency was commenced again, in order to prepare for *Mr. Peel's Bill*, which was passed in the

following Spring ; and when, in the Summer of 1819, and the Spring of 1820, the Manchester *Radicals*, and the *Cato-street conspirators*, were again threatening the Government, we were at this time told that the distress originated in “ *over-trading*,” and “ *speculation*,” and “ *over-population*,” and “ *over-production*.” I proved that the charge of “ *speculation*” was nonsense, that “ *over-trading*” was impossible, that “ *over-population*” was impossible, and that “ *over-production*” was impossible. I moreover shewed that all these impossibilities contradicted each other. I shewed that *Trade* was the supplying of human wants, that human wants were insatiable, and that therefore, “ *over-trading*,” as a general principle, was impossible. I shewed, that every man who brought a *mouth* into the world, brought *two hands* to feed it ; and that every *pair of hands* in the kingdom was capable of producing *food and shelter* sufficient to maintain *four families of labourers* ; and, therefore, that “ *over-population*” was impossible. I also shewed that “ *productions*” were merely stocks of *national riches*, that neither nations or individuals could be *too rich*, that the *very paupers* were ready to spend the fortunes of the Duke of Wellington, if permitted to do so ; that if “ *productions*” glutted the markets, it was not because we had *too many* “ *productions*,” but because we had *too little money*, the organ whereby the masses of separate “ *productions*” are broken up, and distributed *into the mouths and on to the backs*

of the population, in exchange for their labour ; and that, therefore, “ *over-production* ” was impossible.

Upon many occasions I *proved* that all these reasons or causes of distress were anomalous and contradictory, and that it was not possible that *too many mouths and too many loaves* could exist in the nation at the same time. In April 1821, I *proved* before the Agricultural Committee, that the pressure of the Metallic Standard had contracted the Currency, and that the contraction of the Currency was the sole cause of the distress of Agriculture, and of all other distress. When a list was produced, of about twenty different articles which had fallen in price, and about *nineteen different reasons* were assigned for such fall of price, I insisted that the fall of price was *general*, and that, therefore, it *must* have a *general cause*, and that such *general cause* was the contraction of the *general medium*, which measures *all prices and all values*. I might as well have reasoned with the winds of Heaven. Nevertheless, in 1822, when *nine-tenths* of the *Landowners* became *insolvent*, it was found necessary again to encrease this *general medium* which measures *all prices*, and again the ruin was *stayed*. The nation awoke, as it were, from a *second frightful dream*, and during the years 1823 and 1824, it may be said that all classes of the people were prosperous. When all the causes of distress assigned in 1816, and in 1819, and 1821, have been thus a *second time* blown to the winds, it might have been hoped

that something like *truth* would have been revealed to the people, when, in 1825, a *third note of ruin* has resounded throughout the land. But the age of delusions is not yet gone. We get a little nearer the *truth*. We begin "*to burn*," as the children say, in the game of "*blindman's buff*;" and we conclude that the evil consists in *overbanking*, or in some weakness or wickedness of the *Bankers*, which ought to be remedied.

This is certainly *something* to discover. If we had got thus far in 1816, we should have come to *truth* by this time. But I well remember, at that period, that you and I, and a very few others, were thought quite out of all reason, for contending that it was possible that the plenty or scarcity of *money* could have any thing to do with national prosperity or adversity. Every man could see that *money* was a good thing *in his own pocket*; and yet no one could see that it was equally good *in his neighbour's pocket!!* Now every one acknowledges, that the *scarcity of money* has produced the present distresses; although they still attribute that *scarcity* to some defects in our Banking System, and not to the pressure of the Metallic Standard. Ten years of sufferings and dangers have given us a *glimpse* of the *truth* at last.

But I must conclude now, or I shall exhaust your patience. To conclude then, and that really. All *palliatives* are wrong. The *direct policy* is better than the *temporizing policy*. We had better meet

the ruin at once, whilst yet men's minds are tolerably well affected towards each other; and not wait until years of poverty and privation, of crimination and recrimination have exasperated every element of society against the others. If then the *paper* is wrong, let us restore the *Gold* at once. But let us not proceed by slow and cruel precautions, to bring men's minds into such a state of phrenzy and exasperation, that neither *paper* nor *gold* can be of any avail. In all our dangers the *paper* has hitherto saved us. In every instance, it has been the *Gold* that has brought us into danger, and the *paper* that has relieved us. In 1793 and in 1797 *before the paper system was fully established*, we found the character and magnitude of our operations were such, that the *Gold* was not to be found when the *public* wants demanded it, and *the law required it*. If we had not found relief in the *paper*, we must have been compelled to make a dishonourable peace. Again in 1816, when the foundations of society were giving way, it was the *gold* which forced the *paper* to contract, so as to render the payment of debts difficult, and the beneficial employment of labour *absolutely impossible*. In 1819 and 1820, it was the *gold* again which threw half the labourers in the kingdom out of employment, and filled the whole country with conspiracies and dangers of many kinds. In 1822, it was still the *gold* which reduced the monied prices of property within the grasp of the monied charges upon property, and rendered every Farmer and every Landowner in the country *insolvent*. In 1825, it was

the *gold* alone which threatened to pull down the whole circulating system upon our heads ! It is true, the *gold* could not have produced these tremendous evils by destroying the *paper*, if the *paper* had not previously been suffered to exist ; and some people may doubt the propriety of our ever having suffered the *paper* to exist. Of this number I am not one ; because I know that the *paper system* is capable of giving greater certainty and security to the operations of men, than either the Metallic System, or any mixed system of *paper* and *gold* ; and because I know that the Paper System might have been abandoned with safety, if we had been content to adopt a just and practicable Metallic Standard in its stead.

But it is too late to reason upon any original defects in the Paper System, or of any mixed system in which *gold* and *paper* may act together, as they did in 1793 and 1797, and as they have latterly done in 1823, and 1824, and 1825. These enquiries are *too late*. *The paper does exist*. The *paper* has acted upon every monied obligation existing in the kingdom. *The paper still acts upon all obligations, upon all prices, upon all debits and credits in existence*. Therefore the *paper* cannot be destroyed, without carrying with it the whole frame and fabrick of society. To sum up all in a few words. All the changes and fluctuations, all the bankruptcies and the miseries, all the dangers and the horrors which we have experienced, for the last ten years, are solely to be ascribed to

the pressure of the *ancient* Metallic Standard of Value, upon the *new* habits and associations, the *new* monies, the *new* prices, the *new* wages, and the *new* contracts, debts, taxes, and obligations of a hundred kinds, which the new circumstances of the Nation have called into existence. In every instance the *gold* has threatened us!! In every instance the *paper* has saved us!! Under what fascination do we then labour, that we should rush from our own safety to our own perdition? Where shall we seek for safety, when the paper system is destroyed? Can Government *recreate* the mighty fabrick, when once it has been shivered to atoms? Can Government supply any other fabrick in its place? Perhaps they will give us "*equitable adjustment*." The very attempt will blow the Government to the winds. A hundred Courts of Justice sitting for a hundred years, could not *adjust* a hundredth part of the contracts that will be violated by the destruction of the Paper. The only "*equitable adjustment*" that is *possible*, is the "*adjustment*" of the *Standard* by which the values of society are measured. Let Government give us a just and honest Metallic Standard, and there is no difficulty in restoring cash payments, and none in preserving abundance of metallic money in the country; but if they persist in forcing upon the nation an antiquated and unjust Standard, which in its ultimate effect must literally *double* the *real burthen*, and *the real value* of every tax, debt, and monied obligation existing in the kingdom, then we may be quite

sure that they will not succeed in their object, but they will succeed in producing that revolution against which I have warned them for ten years.

They may take then their choice. They may *adjust* the Standard ; or they may restore the *non-convertible paper*. There is no safety but in one of these. In either, safety may be found. I prefer the *non-convertible paper*.

I remain, with sincere esteem,

Dear Sir,

Your faithful humble Servant,

THOMAS ATTWOOD.

To the Right Honourable Sir John Sinclair, Bart. &c.

LETTER IV.

FROM SIR JOHN SINCLAIR TO MR. ATTWOOD, ON THE COMPARATIVE MERITS OF THE SCOTTISH AND ENGLISH SYSTEMS OF BANKING.

DEAR SIR,

You would have heard from me sooner, in answer to your comparison on the Scotch and English Systems of Banking, had I not been under the necessity of dedicating several days exclusively to some business of considerable personal importance, and to the carrying on of a work, (The Analysis of the Statistical Account of Scotland), which must be completed before the meeting of the general assembly of our National Church, in May next. I should not, however, have allowed even these matters, though highly important, to have interfered with the carrying on of our discussion, were it possible to hope that our correspondence could have been of any real public utility, *in the existing most eventful crisis*. But the die is cast, and all our efforts *for the present* will be in vain. Indeed, until the nation has suffered some severe additional calamities ; until the mischief has spread its baneful influence over the whole country; and above all, until the Revenue becomes seriously

deficient, no alteration in the ruinous measures, now carrying on, can be looked for. But as your letter touches upon some points in which we essentially differ, and contains some ideas on the Scottish System of Banking, which appear to me erroneous, I think it right to trouble you with a reply.

1. The first point in which we differ regards Joint Stock Banking Companies. If we were to have a paper circulation independent of a Metallic Standard, and on a great scale, I do not see how that system could be adopted *with safety*, without some great Banking Corporations, to be established, at least in all the more populous districts. That they have failed in America, is no solid objection; because that country is deficient in capital, and is likewise suffering from its attempts to restore a Metallic Standard.—But they have succeeded in Scotland, and by your own admission, are now succeeding in Ireland. *The Provincial Bank there being in a state highly flourishing and prosperous.* When they are established in England, there cannot be a doubt that they will prove equally flourishing and prosperous, if conducted with prudence and economy, and founded on judicious principles.

2. You next object to private bankers giving security for the payment even of their small notes, a point which seems to me in the highest degree essential.

Notes of the larger descriptions, may be considered like Bills of Exchange, which people will not take without a conviction of the solidity of those who issue them. But the case is quite different as to small notes, which pass from hand to hand *as coin*, and where the public are entitled to claim the protection of Government, to prevent their being imposed on. Perhaps, there is no duty more incumbent upon any Government, than to provide a safe currency for carrying on the common transactions between man and man. For that purpose, when coins are in circulation, they are kept up at their full weight on the same principle, when paper becomes the currency, its value ought to be placed beyond the possibility of a doubt. I see no just grounds, therefore, why private bankers should not give security. Surely they would find it more to their advantage to give security for their small notes, than not to issue them at all; and if their notes were so secured, they might be made by law, *receivable in payment for taxes*, which would always keep up their credit. Besides, in that case, bankers would not be under the necessity of keeping any quantity either of coin, or of the Bank of England Notes, as a security against a run, which would be a saving of great importance. But it would be a still greater advantage, if they were not under the necessity of raising money, by selling, at low terms, those public securities in which their property was invested. I am fully convinced, that if

those bankers who have failed were to compare, on the one hand, the losses they have sustained by keeping a dead stock in Bank of England Notes, and in coin, joined to the injury sustained from compulsive sales of their property, and on the other, the expence they would incur, by giving security, they would find the latter plan more eligible, even with a view to profit, and, I am sure, greatly to be preferred for their own personal comfort. It would not, perhaps, be necessary to give security for the £5 notes or upwards, for, in times of alarm, a banker's friends might be prevailed upon to endorse them *to a certain amount each*, without coming under any indefinite engagement; and thus the credit of the banker might be preserved, without resorting to London for a supply of Bank of England Notes or specie.

3. It is quite a mistake to suppose that the Scotch Banks have such a commanding influence over the public mind, that they can set the law at defiance, or that no lawyer in Scotland will venture to make them pay in gold. The law is not *defied*, but it is *nullified* in regard to them, because, from the confidence which the public have in their solidity, the option which the holders of their notes have of compelling them to pay in gold, is not enforced. Give the English the same confidence in the security of their banks, and there never would be a run upon them more than there is now on the Banks in Scotland.

4. I am very glad to find that you explain so clearly, the mischievous consequences resulting from the want of small notes in Lancashire, and the great advantage that has been derived from their circulation in Staffordshire and Warwickshire. What can be more advantageous than a system which, you observe, annually nourishes and brings forward into a state of independence, great numbers of industrious men, and the result of which is; that the mechanics of Warwickshire and Staffordshire are in a much better state than those of Lancashire? This, you maintain, solely arises from the issue of small notes, and that abundance of circulation thence arising, by which general prosperity is insured. It is not, therefore, to be wondered at, that in the former districts, innumerable small fortunes should exist, and very few large ones; while in the latter county the contrary is the case. This should be more generally known and explained to the public; for the circumstance of Lancashire having no small banker's notes, is dwelt upon as a strong argument in favour of their extinction. But you are much mistaken in supposing, that the same system of accommodation to the middle ranks of society, the effects of which you admire so much in Warwickshire and Staffordshire, does not extend to Scotland; for it not only exists, but exists to a much greater extent than even with you, owing to the Cash Accounts granted by our banks, the nature of which I have explained in a

publication ; (Hints on Circulation, printed in 1822,) a copy of which I propose to send to you.* These Cash Accounts seem to me the happiest measure that has ever hitherto been devised, and they justify the assertion, "That the true

*It would be of great public importance, if the Bank of England adopted the plan that has been found so useful in Scotland, that of granting "*Cash Accounts*," the nature of which is this. A bond, say for one thousand pounds, is subscribed by one responsible person, and two or more sureties. To the extent of that sum, the principal in the bond, is entitled to draw as he may find it necessary, and he pays in, from time to time, such sums as he receives from his debtors. The account is settled yearly or half yearly ; and the interest, at the rate of 5 *per cent.* for the sum drawn out, beyond what is periodically paid in, is charged to his debit in the new account.

In a recent publication (Muir's Review of the Banking System of Great Britain,) the nature of these credits is more minutely explained. Such credits, we are informed, merely give the option to the principal in the bond, of drawing out upon interest, the notes of the bank ; and a very great proportion of these credits, is frequently unused, from the inability of the parties to employ the money profitably. The bankers exercise due deliberation, before a credit is of the kind granted ; and as it is generally found to exist for a considerable number of years, it is only given upon such security, as is likely to continue *permanently good* for the amount.—The Bank account of the principal, is always open to the inspection of the sureties, who may withdraw their guarantee, if the principal is mismanaging, or imprudent. The sureties are also liable for bill transactions with the Bank, to the amount of the whole sum subscribed, but not farther. Among the numerous advantages attending credit accounts, they enable many to enter upon useful undertakings, requiring outlay of capital for a considerable period, who might otherwise have been unable, or afraid to do so. If a young man gets his sureties to sign a bill, at three or four months' date, instead of signing a bond for a credit account, he must be dependent upon the caprice or convenience of the Bank for its renewal, for such periods as might be desirable, in any protracted operations he may have embarked in, upon the faith of this credit by *bills* ; whereas, in the case of *bonds*, the Banks almost never call them up, so long as the principal continues to keep an operative account, or the sureties and himself remain good for the amount. At all events, it is provided for, in the bond, that such warning shall be given, before it is put in

principles of banking are no where so successfully carried into practice, as in Scotland.”—Such are the effects of these Cash Accounts, and of the rivalry of our numerous Banks and their branches, that it is in the power of every individual who deserves credit to procure accommodation; and hence it is that Scotland, with its miserable soil and climate, and with the burden of remitting a tribute of four millions per annum, to the Exchequer of England, was, six months ago, the most prosperous country in Europe. How long that prosperity will be permitted to continue, remains to be seen.

5. You next remark, that I must be mistaken in the assertion, “That there is not the slightest pecuniary embarrassment in Scotland.” By this I meant that none of our Banking Establishments had given way. It could not be expected that the circulation of our banks could be carried on to the same extent as before the late convulsion. The calamities of England, in that respect, necessarily extended themselves to Scotland, from the intimate connection which subsists between the two countries. Had the Scotch banks been as liberal as they had been previ-

force, as may enable the parties, to get a similar accommodation at some other Bank, or to dispose of their property, without the disadvantages of sudden or pressing demands for repayments. Since the act 23. Geo. III. c. 74. cash credits have been frequently granted, on the security of lands, houses, &c. and this practice might certainly be greatly extended with much public benefit.

ous to the late convulsion, the distressed merchants and bankers of England would have contrived to have got hold of a large proportion of our circulating property, and brought on similar distresses to yours. It became necessary also, when, after the alarm had taken place, that accommodation was given, to limit the duration of the loan as well as its amount. Those who had overtraded themselves, and carried on their business by Bill accommodations, must, of course, suffer from such restrictions. But all men of real property, still find no difficulty in getting what money they require, at the legal rate of interest. On this subject I shall only add, that when the Bank of England, with its immense resources, and with the advantage of having the revenue of the country passing through its hands, is reproached for having advanced £1,200,000, on mortgage to the landed interest, and feels it necessary to curtail its accommodation to the mercantile and banking classes, it would be rather too much to expect that the Scotch Banks should continue their former scale of issues with their inferior resources.

6. You mention, that having anticipated what would happen, the House in which you are concerned, had given up the issue of small notes five years ago. I should be glad to know what was the effect of that resolution? Perhaps other bankers in your vicinity continued their circulation of small notes, and filled up the vacuum, otherwise your neighbour-

hood must have suffered greatly from your change of system, more especially as it took place in Warwickshire.

7. In regard to Scotland, it would be infatuation in the extreme, to attempt the extinction of its small notes, which have now existed with infinite advantage, and without any detriment whatever, for above a century.

Experiments with circulation may be tried in a rich country like England, but here, any alteration in its Banking system would be most fatal. Let the circulation of Scotch Bank Notes in England be prohibited, but to compel us to supply ourselves with a Currency in Gold, at a distance from the markets whence it must be procured, would cut up by the roots the sources of our prosperity. It would bring us back to the state of depression and misery in which we were a century ago, would annihilate the tribute of four millions per annum, which we now pay to England, and while that system continued we should become, like Ireland, a source of expense and not of revenue, to the kingdom at large.

8. I perfectly concur in opinion with you, that a Paper Circulation, properly regulated, is infinitely preferable to a Currency in gold, which, from the difficulty of procuring, and above all, of retaining it, is the worst of all standards for a country to adopt,

and even greatly inferior to silver. That point I have strongly enforced and explained, at considerable length, in my "*Hints on Circulation*," above-mentioned. Finding, however, that all the leading political characters, in both Houses of Parliament, were decidedly hostile to Paper, I thought it expedient to suggest, as palliatives to the Gold System,—First, the adoption of a Joint Standard of Gold and Silver; and next, the introduction of the Scotch mode of Banking into England. But the calamities are now increasing so rapidly, and are likely to be carried to such an extent, that the Ministers will probably in the end be reluctantly compelled to the re-establishment of a Paper Circulation.

It must ever be a great source of consolation to us, that we have resisted those fatal measures which have brought such ruin upon the country. Nor ought we yet to despair of seeing a change of system, General distress will in time prove to the public, how far its Government is wandering from the right path, by endeavouring to establish what is called a *wholesome*, but which is in fact, a ruinous and impoverishing *Currency*, and it may yet be in our power to lend efficient aid towards the establishment of a better system. Our Government will soon find, that without an *abundant circulation*, neither this nor any other nation, can be prosperous at home or powerful abroad. And there are no means by which a circulation can be rendered *permanently abundant*, unless it is in Pa-

per, or in other words, *independent of foreign materials*. The Paper, however, ought to be limited in its amount; it ought not to be issued by any but those whose solidity is unquestionable, and it might safely be rendered convertible into the precious metals, at the average price of Gold and Silver; which, for that purpose, ought to be quarterly ascertained.

If an improved system of Paper circulation, thus united with a power of converting it into the precious metals, were adopted, it would make Great Britain the happiest and most powerful country that has ever hitherto existed. Its prosperity would not be fluctuating, but permanent, and that favourite object, for which I have invariably contended, might then be realised—"That of rendering Great Britain independent of other nations for Circulation and Food."

With much regard and esteem,
believe me,

Your faithful Servant,

JOHN SINCLAIR.

133, George-Street, Edinburgh, }
21st February, 1826. }

Thomas Attwood, Esq. Birmingham.

LETTER VII.

FROM MR. ATTWOOD TO SIR JOHN SINCLAIR, ON THE REMEDIES
FOR THE PRESENT DISTRESS.

Birmingham, 3rd of March, 1826.

DEAR SIR,

Your letter of the 21st ultimo. has said all that can be said in favour of Joint Stock Banks. I have no objection to them. They may probably be suited to the habits and character of the Scottish People, as our Banks are to those of the English People. But when they are brought forwards as a *panacea* for every evil, as a mighty resource which may enable us to resist the *unmeasured plunder* of which our unhappy country is made the victim ; when the ministers of the king also have made use of them as vehicles of calumny against the English bankers, and of delusion amongst the English public, under these circumstances, I desire to record my humble opinion, that these boasted establishments are not capable of rendering us any assistance whatever. In England they can at this time produce neither the capital, the credit, nor the knowledge, which is necessary to give them a chance of ultimate success.

In your last letter, and in your “*HINTS ON CIRCULATION*,”* you have suggested a middle way of proceeding between a reduced Metallic Standard, and a Bank Restriction Act, viz:—the Bank paying in gold and silver at the market price, until gold rises to perhaps £8 per ounce. There can be no possible objection to this way of proceeding. It is, perhaps, not necessary to go so high as £8 to the ounce of gold. About six guineas to the ounce of gold, and eight shillings to the ounce of silver, would give eight shillings as the price of the bushel of wheat, which I apprehend is sufficiently high to enable the farmers to pay their present rents, wages, and expences. But

* The only questions, then, at issue between the bullionists and me are these:

1. Shall the conversion of paper into coin be at a fixed or at a variable rate? 2. Shall the subjects of this country be compelled to furnish gold at the same low and antiquated price, at which it was fixed above a hundred years ago, and shall the value of all property, and the wealth of the nation, be reduced accordingly? Or. 3. Shall the price of gold and silver rise with the augmented value of all other commodities?

Is it possible that any reflecting mind would wish to subject this country to all the horrors which we have felt, and do now experience, and the still greater calamities which, unless timely prevented, are in store for us, in order to prevent a fluctuation in Gold, at from L. 4 to even L. 8 per ounce, instead of fixing it invariably at L. 3: 17: 10½?

There never was a country brought to such a state of misery, for an object so unnecessary, and, (on the grounds above stated), so highly exceptionable.

I have thus explained the nature of a plan, the success of which seems to me unquestionable; and one, by which, not only those additional miseries which there is so much reason to apprehend, but that convulsion, which must be the necessary consequence of a perseverance in the present system, would be prevented.—See *Hints on Circulation*, published in 1822.

it ought never to be forgotten, that in adopting a Metallic Standard, or in imposing any limit upon the nominal price of such Standard, the more we raise the *nominal price of the gold*, the more we relieve the country from the real weight of all its public and its private burthens. We ought, therefore, to raise the price of the Metallic Standard to the very utmost that justice will allow. We ought on no account to give to the taxes, debts, and monied obligations of the nation, *on the restoration of a Metallic Standard*, the command over greater quantities of commodities and labour, than the proprietors of such taxes, debts, and obligations, really advanced, or really contracted to receive *during the suspension of such Standard*. If we are to preserve the *ancient* Metallic Standard, it can be proved beyond the shadow of a doubt, in fact, it is now very generally acknowledged, that the restoration of such Standard, *if practicable*, which, in my opinion, it is not, would give to the proprietors of all taxes, debts, and obligations contracted during the war, or *founded since, upon the habits and associations which had existed during the war*, full double the *real value*, which the proprietors of such taxes, debts, and obligations had ever advanced, or had ever contracted or expected to receive.

In my letter of the 23rd of February, in the last year, in enumerating the operations of the Government upon the Bank of England, (see p. 9.) I omitted to notice the advance of £3,400,000 to the

Government, for the purpose of enabling them to pay off the holders of 5 per cents. who refused to have them converted into 4 per cents. This was another grand operation, which made a positive increase of three millions sterling to the Circulating Medium! This operation and the others which I have alluded to, have since been acknowledged in Parliament. Surely when these things are considered, we can be at no loss to account for the plenty of money, and the prosperity of 1824.

It has latterly, also, been acknowledged in Parliament, that in the Spring of the last year, the Bank of England, influenced by the *state of the Exchanges*, or in other words, by the exportation of the *Bullion Money*, began to reduce their circulation of *Paper Money* correspondently, in order to stop the exportation of the one by rendering the other equally scarce and dear! In August and September, it seems that the Bank sold Exchequer Bills largely with this view. Surely we can be at no loss to account for the fall in the price of Cotton, and for the failures which took place among the merchants in Liverpool and London, in the Autumn of the last year! And surely we have no occasion to be surprized at the convulsion of December, 1825, and at the general misery and distress which have since been scattered through the country.

Among intelligent practical men, this convulsion was seen as clearly in August and September, as it was in December, or is now. The absolute and particular *time* of such convulsion, was indeed not foreseen to a certainty, because, in truth, it was precipitated rather suddenly by a *mere accident* in a large London Bank. When the public mind is alarmed by the expectation of great events; when some secret and general ruin is at work, of which all men have some vague and general notions; notions which are the more terrible from their very vagueness and indistinctness: in such a state of things as this, *accidents* have always a very great effect. In the present instance, the accident in the Bank alluded to, *literally shook the throne of the King!*

The Country Bankers, however, had nothing to do in any of these great operations between the Government and the Bank, the action of which first made the prosperity of 1824, and the discontinuance of which produced the adversity of 1825. They merely followed at a humble distance in the train of the Government operations; which it was, indeed, impossible for them to *precede*. If any proof of this were necessary, it will be found in the price of *Wheat*, which is well known to be peculiarly exposed to be affected by the country Bank Notes, and which, during the whole of the late prosperity, has never exceeded 8s. 6d. per bushel! Nor, indeed, were the

general prices of commodities throughout the country raised at all higher than the habits of the population, and the Debts, Taxes, and Engagements of the country, rendered absolutely necessary to the existence of national prosperity. The only article which rose, indeed, a little above this level, was the Lancashire Cotton, an article, which it is well known, is only indirectly exposed to the action of Country Bank Notes.

How unjust, then, and how cruel is the charge against the Country Bankers, that they have in any way produced, or even contributed to the present distresses. If the House in which I am interested, thought it necessary to give up the issue of small notes five years ago, in direct anticipation, *expressed to all its connexions*, of the *crisis* which has now occurred, how can the Country Bankers, generally, be blamed for giving them up, when they are *cried down* by the Government on the one hand, and by Mr. Cobbett on the other? The Country Bankers are not to be blamed for any part of the miseries which have occurred, or which still threaten the country. *The awful responsibility rests entirely upon the Government alone.* Instead of being censured for their weakness and reproached for their imprudence, they are entitled to the warmest gratitude of the Government, for the strength which they exhibited, and for the firmness with which they resisted a stupendous

convulsion, which would otherwise *have shivered the Government to atoms* ! ! *

It is much to be lamented that errors of this kind should be so prevalent in Parliament. The noblemen and gentlemen who sit there, however conversant they may be with general politics, and with science and literature, seem generally to be totally unacquainted with business, and with the ways and means by which human life is supported. And the few practical men who sit in the Lower House, seem to be either too busy with their own affairs, or too *timid*, and too few in number, to allow them to make the

* The distress in Lancashire and in Middlesex, has all along been greater than in any other district, and those are the peculiar districts that have never possessed a Circulation of small notes!! How then can the small notes have made the distress in those districts? They may indeed be in some degree acted upon by the distress around them; but the fact is, that the distress in the districts alluded to, not only is now greater than that any where else, but it also *preceded* the distress of the other districts of the country. When the American Legislature took measures to restore the payment in specie a few years ago, in the United States, the state of Massachusetts alone had never made use of a Paper Currency, and it was thought that that state would thereby escape the distress attendant upon its abandonment. It was found, however, in the end, that the adoption of a Paper Currency in the surrounding States, had previously forced a redundant Circulation of Bullion money upon the state of Massachusetts, and the consequence of this redundancy was, that the Bullion money of Massachusetts, was nearly as much depreciated as the Paper money of the surrounding States. When therefore the surrounding States recovered the use of Bullion money, this measure created a great drain upon the state of Massachusetts. The Bullion money was, in consequence, *strung up* in value in that state, and the consequent distress of the operation, was about the same there as in the other States. The same process was clearly visible in France, during the periods when the surrounding countries gave up at one time, and recovered at another, the use of a Metallic Currency.

necessary exposition of the truth in the face of the great combined interests around them. Hence the total inconsistency of the Parliamentary measures in matters of business, which are, in fact, the most important subjects which can occupy Parliamentary attention. Hence we are informed one day, that the Country Bankers are so desirous of issuing their small notes, that it is necessary to *stop the Stamp Office*, in order to prevent a literal deluge of them!! And the very next day we are informed, that the Country Bankers are so regardless of this privilege, and so ignorant of their own interest, that from a mere childish displeasure at the measures of Government, they have determined not to issue their small notes at all!! And, therefore, that it is necessary to get the Bank of England to fill up the *vacuum*! A *warhoop* is raised against the Country Bankers; they are denounced as men unworthy of public confidence. They are pointed out as objects of the popular vengeance and suspicion, and when they are thus proscribed and *hunted down* by the Government in the van and the Radicals in the rear, with the landed interest cheering them on: when the issue of their notes is thus made almost a *warrant of ruin* against them, they are coolly reproached for not issuing their notes as freely as before! If a fair proportion of practical men had sat in Parliament, and if the commercial and manufacturing interests had been as fully and fairly represented as the Landed Interest,

how is it possible that delusions so gross as these could ever have prevailed ?

First the distress is attributed to "*Bubbles*" and Joint Stock Companies, and then other "*Bubbles*" and other Joint Stock Companies are proposed to relieve it ! Then, it is attributed to over-issues of paper; and then increased issues still farther are recommended !! It is next attributed to the country bankers calling in their notes, and then *securities* are proposed to be required, which would *annihilate* their notes at once ! Then the country bankers are accused of being too weak, and Joint Stock Rivals are proposed to increase their weakness still farther ! Again it is proposed to establish Joint Stock Banks, for the purpose of rendering the circulation of country notes permanent and secure, and in the very next day, it is proposed to prohibit the circulation of such notes after three years !! There is in short no end to the inconsistencies of Parliament upon this important subject.

You ask what was the effect of our House giving up the issue of small notes five years ago. The effect was little or nothing, because we replaced them with sovereigns, and our circulation was a mere trifle, compared with the general circulation of £1 notes. In the present state of the country, I should apprehend, however, that the general withdrawing of the small notes would be tantamount to nearly an equivalent diminution of the Circulating Medium, as in the present state of things, the bankers

cannot be supposed to have both the power and the will to issue sovereigns in the place of their notes. *Five sixths* of the country bank note circulation are, probably, kept afloat by means of discount, or of temporary advances to the public. If the banks are compelled to withdraw their Cash Notes on the one hand, and to have their *Cash deposits* withdrawn on the other hand, in consequence of the general alarm and distress, it is very improbable that they should have the means and the inclination of issuing sovereigns in the place of their notes. What the bankers will do, and must do, is this;—they will pay sovereigns where their customers have cash in their hands, and where their customers have no cash in their hands, *they will pay nothing!* *Five sixths* of the country circulation will thus disappear, and the Government will be left to supply their place as they can, or the most tremendous fall in prices will be the consequence. This will be found, I apprehend, a far more important thing than they think for. I estimated the circulation of country £1 notes at ten millions sterling, a few months ago, giving about £20,000 each as the circulation of 500 country bankers issuing them. The withdrawing of this circulation will be found an immense and *unmanageable* calamity to the country, although it may not possibly be of much *direct* importance to the bankers.

Notwithstanding the argument drawn from the Stamp Office Returns to the contrary, I am decided

that the late circulation of country £1 notes was not over-estimated at ten millions, a few months ago. The report about country bank notes continuing in circulation only three years, probably arose from some misrepresentations of the bankers against the hardship of raising the Stamps upon their notes.

Lord Castlereagh was not a man deficient in *firmness*; and yet he shrunk from a measure into which the ministers now plunge with reckless desperation. He saw wheat at four shillings and six-pence per bushel; he saw half the nobility of England virtually *paupers, or preserved from pauperism by the ruin of their tenants*; he saw half the labourers of England begging their bread; he saw all this produced by the blind and cruel greediness for "*forte monnoie*," and he relaxed his grasp upon the nation's throat. He found out that that the *paying of debts*, was at least as difficult as the *contracting of debts*. He knew well that we never could have *borrowed two thousand millions sterling of public and private debt* without the aid of the "*monnoie foible*," and he proceeded to give us the "*monnoie foible*" again, in order to enable us to *repay* such enormous masses of *monied obligations*. It was with these impressions that he brought forward the Act to legalize the issue of £1 notes for eleven years. Any man would have deemed this great measure a positive proof that ministers *intended* to bring forwards the Bank Restriction Act when necessary, and this impression upon the public mind could not but have been made still

stronger, when the other operations of the Government upon the Currency, during the years 1822, 1823, and 1824 were considered. These operations ought certainly never to have been adopted, if it was not intended to persevere in them. We ought to have met the ruin in 1822; but Lord Castlereagh had not *nerve* to face it. It is left for the present Ministers to abandon measures which Mr. Pitt supported, and to adopt others which Lord Castlereagh feared to adopt!!

And well might that unhappy nobleman shrink back from the destruction of the £1 notes. He saw how the habits and wants of the country had become accommodated to them. He saw how they had *inwoven* themselves for thirty years in the very roots of society. He saw them *radiating* as it were from 500 centres, into the uses of industry, *created at the very points of time and place where they happen to be wanted, and disappearing at the very points of time and place where they happen to be no longer wanted*, and he very justly concluded, that instruments of this powerful character, thus *innwoven* with the national vitals, could not be rudely torn out with impunity!

Under these impressions, Lord Castlereagh caused to be passed the Act of Parliament which legalized £1 notes for 11 years to come. And now, when *public faith* has been thus gravely *pledged* to the nation; when men have been induced to lend and to borrow,

to buy and to sell, and to contract debts and obligations upon the strength of this important measure, the whole is gravely proposed to be violated, leaving the wild havoc of such violation to rectify itself!

Now, it must not be thought that the Act of Lord Castlereagh for legalizing £1 notes, and the other measures of the Government for encreasing the circulation, adopted about the same time, have in reality *caused* the present distress. Nothing is more false. They have in reality prevented it from happening three years ago!! If these measures had not been adopted, the £1 notes would have become *illegal* in May 1823, when Wheat was at 4s. 6d. per bushel, and beyond the shadow of a doubt, if the £1 notes had then been suffered to disappear, the price of wheat would, in all probability, have fallen to 3s. or perhaps 2s per bushel!!

The country would, in fact, have been struck to the earth, as with a *Cannon Ball*! In the tempest of the human passions which would have been then excited, the Government, and the Standing Army, and the boasted *omnipotence of Parliament*, would have been like feathers in the storm! The £1 note Act, and the other measures of a similar character, have *procrastinated* this mighty convulsion; but they have not *occasioned* it. It is the pressure of the unjust Metallic Standard which occasions it. Take off the Standard, or adopt a *practicable* Standard, that

will measure some degree of justice between man and man, and we shall have no distress at all. But if we persevere in exacting the payment of "*forte monnoie*" out of the blood and bones of the country, we may rest assured, that we have yet to witness such distress and such anarchy as no eye has ever witnessed before.

In my letter of the 4th January, (see page 24,) I described two modes of conduct which the Ministers might adopt, viz. the *decisive* policy, and the *middle or temporising* policy. I perceive they have adopted the latter. The renewed purchases of Exchequer Bills by the Bank, and the loan of three millions to the Merchants and Manufacturers will certainly relieve the distress among those classes, for a short period. It will enable them to meet their engagements, and when this is done, they will take care not to contract any more. But it will not relieve the Mechanics. These unfortunate men will be thrown out of employment, and out of bread throughout the whole country. We shall again hear the changes rung upon "*over-production,*" and "*over-trading*" and "*over-population,*" and "*over-farming,*" and upon "*the change from war to peace.*" We shall again hear of "*speculation,*" and "*fictitious credit,*" and the "*want of demand,*" and the "*want of economy,*" and the want of every thing but of *common sense, applied to the common affairs of life,* by men experienced in those affairs,—which is in truth

all that we do want. But it is useless saying more. I have described how the mischief of the temporizing policy will work in my letter of the 4th January.

I think nothing can be more unfounded than the supposition, that the late Joint Stock Companies can have had any thing to do in producing the present distress. There have been no Joint Stock Companies in Manchester, or Liverpool, or Devonshire, and yet there the distress began and is greatest. Not more than four or five millions can possibly have been paid up upon all these new concerns, taken together. I am sure that not so much as £20,000 has gone out of the town of Birmingham, to such Companies, in all shapes and ways, and yet Birmingham used to pay £60,000 per annum to the property tax ! How absurd then is it to suppose that such paltry investments as these can have had any influence upon the prosperity of a nation which, during the war, could raise upwards of *100 millions per annum for three years together* !! The fall of consols alone, from the price of 97 to that of 77 in the last twelve months, has caused a loss of *one hundred millions sterling to the Fund-owners* !! How then can we speak of the losses by Joint Stock Companies, in the face of such enormous losses as these?

Nor are the *speculations* upon which these Joint Stock Companies have been founded, so wild and improvident as some people may infer, who have

no better means of judging than the *mere fall in the price of the shares*. The speculations are many of them perfectly sound and judicious, and would bring now a greater premium than ever, if the *surplus money* existed upon which they were founded, and without which no great public undertaking can ever be beneficially carried into effect. The fall in the price of shares is nothing. It could not exist, if the former plenty and cheapness of money was restored. It is the *emptying of the people's pockets* which depresses the shares, and not the want of confidence in the *speculations* upon which they are founded.

I think I have said enough to shew that the Joint Stock Companies, or "*Bubbles*" as they are called, can have had little or nothing to do in producing the present distress.

But if we are to speak of "*Bubbles*," what "*Bubble*" can exist in nature like the "*Bubble*" of the *National Debt*? Does it become gentlemen "*to throw stones at their neighbours' houses, whose own houses are made of Glass*? And if we are to speak of "*fraud*," in continuing the paper, or in reducing the coins, I would ask what "*fraud*" can exist in the whole universe like the "*fraud*" of borrowing 1000 millions sterling in *depreciated paper money*, and then *quietly* compelling that enormous sum to be repaid in *undepreciated gold money*? Does it never strike Mr. Huskisson,

that in the contract of a debt, a *valuable consideration* is necessary to render it valid ; and that to attempt to take advantage of a *legal quibble* in the *letter* of a contract, in order to compel its fulfilment, when no *valuable consideration* has been given, is deemed by all lawyers a *positive fraud* ? What *valuable consideration* has either the public or the private creditor ever given, which can entitle him to *receive payment in heavy gold*, where he *advanced only non-convertible paper* ?

It has often struck me with surprize, to see the obliquity of intellect with which men of unimpeachable honour sometimes defend the enormous *fraud* which is committed in the attempt to convert *Paper Money* into *undepreciated Gold*. A few years ago, I had a conversation with a gentleman of fortune, which is perhaps worth recording. It was *verbatim* as follows—"If I understand you right, Sir," said he, "you would coin a real half-guinea into a whole guinea." "Certainly," said I. "Then," said he, "you would give me £4000 a-year, instead of £8000 a-year, for the rental of my estate here; and that is what I consider a *fraud*." "Pray, Sir," said I, "do you measure the *fraud* or the *justice* of contracts by the *intrinsic* value of the instruments of money, in which such contracts are fulfilled?" "Certainly," said he. I then replied—"In what kind of money were your rents contracted ; in heavy coins or in Bank notes?" "In Bank notes, certainly," said

he. "Then," said I, "If you call it a *fraud* in me, to give you *intrinsic half-guineas*, passing current by law for heavy guineas, in the payment of your rents, what must I call it in you, who would compel your poor tenants to pay you *intrinsic guineas* where they only contracted to pay you the intrinsic value of *farthings*?" "I consider that the Bank notes were not depreciated," said he. "Then," said I, "If your *farthings* were not depreciated, why should my *half-guineas* be depreciated? Surely it is easier to preserve *intrinsic half-guineas* at a value equal to that of *heavy guineas*, than it is to preserve *intrinsic farthings* at such value!" And here the conversation closed.

It is too late, however, to complain of the *injustice* of a reduction of the Metallic Standard. That complaint should have been made 30 years ago, when the Bank Restriction Act was passed, which *virtually* effected that object. To reduce it now, on the restoration of Cash Payments, is merely confirming and rendering permanent, a *practical* reduction of the Standard which has existed for 30 years. To crush and confound all the obligations existing among the present generation of men, in order to render a tardy justice to the remnants of a generation long gone by, is an act of gratuitous infatuation almost as dangerous to the feeble objects of its protection, as to the unnumbered victims whom its remorseless policy grinds into the dust.

There can be no doubt that some few individuals would be injured by a reduction of the Metallic Standard, but it would be perfectly safe and easy to make them compensation. Foreigners who have invested money in the English Funds, for instance, might still be paid in the ancient coins, or receive two coins for one, and the few individuals who yet hold investments in the Funds, made 30 years ago, might receive the same payment. The burthen of a few little matters of this kind would be nothing, and thus equal justice would be rendered to all classes of the community.

A great deal has been said about the Paper Money having been *in excess*. It is not true. The Paper Money has not been *in excess*; at least not during the last three years to which the charge applies. It might possibly be in excess in the year 1800, though I apprehend, that even then it was not quite so *excessive* as the *Taxation* that was founded upon it. But during the last three years, it has been barely sufficient for the absolute wants of the Country. It has just kept the labourers employed, and no more. It has just preserved the farmer from the workhouse, and no more. It has given him 8s. to the bushel of Wheat. It has just lifted him above the *gripe* of his landlord. It has just lifted the landlord above the *gripe* of his creditor. It has just lifted the country itself above the *grinding, biting, grasp of taxation, and no more.*

How then has the *paper money* been *excessive*? Let the *wants of the people* be our guide, and not the interests and prejudices of a few dozen of bullion brokers and *cambists*; and we shall readily acknowledge that the *paper money* of the country has not increased faster than its *paper debts and taxes*; and that it has not exceeded the quantity which has been necessary to keep the labourers fully employed, and to preserve such an elevated range of *nominal prices*, as was necessary to prevent the industry of the country from being literally *suffocated* by the prodigious growth of its *nominal burthens*!

The bullion brokers and cambists are accustomed to look at the *prices of bullion*, to enable them to judge whether paper is *in excess* or not. And because in these paltry dealings, the difference between paper and gold has been sometimes barely visible, and has at other times amounted to 4 or 10 or 30 per cent, they have been accustomed to consider the Paper currency *in excess*!!

Let us turn away our thoughts from these *mole-eyed* views. Look at the gigantic dealings of the nation at large. Does the farmer, when he contracts a lease upon a *doubled rent*, consider the prices of bullion or those of agricultural produce? Does the King when he raises the soldiers' pay, look at the prices of bullion or at those of the necessities of life? Does the manufacturer regard the price of bullion? Does the merchant regard it? Does the land-owner

regard it when he borrows money upon his estate, or charges his estate with legacies? Does the labourer regard it, when he stipulates for the humble reward of his labour? Does he not 'rather look at the prices of *food and clothing, and shelter from the elements*? What then has the price of bullion to do in enabling us to judge of the depreciation of the currency? It is not the rise of bullion, but the rise of commodities and labour, which constitutes the depreciation of the currency. Bullion may *fall in price*, and, in fact, become as low-priced as copper or lead, and yet the depreciation of the currency may go on until a pound sterling or a full weight sovereign may not be worth a bushel of oats! This was in some degree the case during the war, when bullion thrown out of use in so many countries, became a mere *drug* in England, and was not worth more than *one half* of its former value, as I proved in my "*Exposition of the Agricultural distress*," presented to the Agricultural Committee, in April, 1821.

When the ministers brought forwards Mr. Peel's Bill, it was generally said by them that they considered the price of gold as the criterion of the depreciation of the currency, and that if they thought the restoration of the standard, would reduce the prices of property and labour, more than 4 per cent, they would not support it. I told them that the price of gold was *no criterion*, and I proved that the depreciation of the currency during the war, was in

reality full *cent. per cent.* instead of 4 *per cent.* and that consequently the Metallic Standard ought to be reduced *one half!!* They would not listen to me, and yet now I perceive that many public men have adopted the same opinion. Mr. Tierney himself goes nearly to that extent, when he states to the House of Commons, that “the *besetting vice* of this country is the love of high prices,” and that “it is absurd to expect that under the present Metallic Standard, we can preserve generally any higher level of prices than our neighbours the French!”* If the Land-owner will bear this great truth in mind, they will soon perceive that they stand *rather nearer to the workhouse now than they did in 1822!* There are indeed but three modes of escape for them;—they must restore the Paper System,—or they must reduce the Metallic Standard,—or they must *drain the bitter cup of “Equitable Adjustment!”*

It is vain to talk about an “*interference with the King’s prerogative,*” when such mighty alternatives as these are at issue. The King will be right fortunate, indeed, if he escape from the storm which his ministers have raised, with no other injury than a mere “*interference with his prerogative.*” But the fact is not so. The £1 notes are no interference with the King’s prerogative. It is a mere argument “*ad cap-*

* How will you get down the *Soldiers’ pay* to this level, Mr. Tierney?

tandum," and will apply equally well to *Bills of Exchange* as to £1 notes. Is it proposed to go back to the dark ages, and to carry coins about on horses' backs? If not, it is ridiculous to talk about an interference *with the prerogative*. Neither Bills of Exchange,* nor promissory notes *at a date*, nor promissory notes *on demand*, either great or small, none of these innumerable instruments of money, which effect ninety-nine hundredths of all the transactions of life are any "*interference*" at all. They are mere creations of the national convenience, which are as necessary to the nation, and which the nation has as much right to use, as a *plough* or a *spade*. To make such instruments of money *legal tenders*, may indeed

* The enormous sum of Six Hundred Thousand Pounds, paid last year for *Stamp Duty* merely upon Bills of Exchange and Promissory Notes, *at a date*, as stated in a Parliamentary return of the 24th February, will give some idea of the magnitude of the transactions annually effected, by these multitudinous instruments of money. If the Stamps of different sizes were separated in the Parliamentary Document, the total amount of such instruments might be estimated with some tolerable accuracy. If we were then to multiply such amount by 5, (allowing that number of transactions for each Bill to effect upon an average,) it would give us some view of the immensity of these transactions in the aggregate. Certainly all the Gold in the universe, and all the Paper money in England, would not be sufficient to effect them, if it were not for the intervention of bankers. A Bill for a Thousand Pounds, pays a stamp of 8s. 6d. which is considerably less than a *Two Thousandth part* of the Bill. If this should be a fair average, which however I hardly expect, and if each Bill is presumed to perform five transactions, it would give Six Thousand Millions of Pounds sterling of transactions annually performed by these instruments. I once drew a conclusion nearly to the same amount, from a calculation drawn from the annual returns of what is called the *Clearing House*, in London, being the place where the London bankers are in the habit of exchanging and discharging their mutual claims upon each other.

appear to be some *interference* with the prerogative, but it is an "*interference*" which the *safety of the Crown* requires, quite as much as the interest of the people ; and it can only be avoided by a reduction of the Metallic Standard.

But it is too late to bring forward this argument against making Bank notes *legal tenders*. Legislators should have thought of it thirty years ago, *before they had borrowed* one thousand millions sterling in *cheap money*, and not now when it would make them attempt to *repay* that enormous debt in *dear money* ! ! Or if they *must* have coins of full weight, and coins only, they must take the coins for the *future uses* of the nation, and leave the Bank notes to settle with *the past*. They must leave the Bank notes to wind up the debts, taxes, expences, and engagements of the last thirty years ; and they must give us the ancient coins *to begin again with*, in all the new reckonings between the government and the nation, and between man and man. This, to be sure, would be a wild, circuitous, and unnecessary proceeding, but it would be a thousand times more politic, more just, and *more safe*, than the road which the ministers are now pursuing. It would give us *two prices* which most nations have, and *two prices* would be nearly as convenient as *one*.

The *temporizing policy* will not save the Government. They may "throw in assistance from time

to time, under such parts of our monetary system as are in the act of giving way," as I stated in my letter of the 4th January, (See page 25,) but this will merely convert 1825 into 1816. It will bring ruin upon them, slow, sure, and most cruel, instead of the "sudden and swift destruction," which lately threatened them. Why not then *retreat*, whilst yet it is given them to *retreat*? Every hour that they exist renders *retreat* more difficult. I will mention one proof of this. When we first issued sovereigns in Birmingham, five years ago, we were obliged literally to *force them* into circulation. Every one looked at them with distrust and dislike. Not one man in a hundred, rich or poor, would receive them willingly. They all preferred £1 notes. Here was a state of the public mind, which was a tower of strength and security in the hands of a wise Government. It almost annihilated the pressure of Taxation. It rendered the National Debt a moderate and reasonable burden, which the nation would not have felt, and which would have been melted away even faster than it had grown. Without Corn Laws, without "*Six Acts*," without any restraints obnoxious to the public feeling, or to public liberty, it presented the means of securing the taxes of the King, the rents of the landlord, and the profits of the farmer, merchant, and manufacturer, and in general, all the existing rights and relations of Society. Who would have thought that the Ministers of the King, who may be called the *greatest debtor* in the nation, and whose

very *Throne* may be said to be *mortgaged for one thousand millions sterling*—who would have thought, I say, that the Ministers of the King, who is thus deeply involved in the Paper System, would have been the first to raise a *warhoop* against it? And who would have thought that the Ministers of the King should have been the first to call it a “*breach of faith*,” and a “*national bankruptcy*,” when it was proposed to them to *adjust* the rights and interests of the community upon equitable principles, and to depreciate the Metallic Standard to a level with that existing depreciation of the Currency, in reference to which all the obligations of the community have been contracted?

And yet it is in this way, that the Ministers of the King have themselves raised *barriers* against their own *retreat*! They have at last destroyed that fine disposition of the public mind, which harmonized so entirely with the interests of the Crown and of the people; and now the Paper is no longer preferred to the Gold. A distrust and dislike of Paper is become general; *and this distrust and dislike is at last directed against the Bank of England quite as strongly as against the Country Bankers themselves!!* Men who have never known any other kind of money, and in whose minds respect for the Paper has been drawn in, as it were, with their *mother's milk*, begin now to look upon it as a kind of “*fraud*,” which the Government has been practising upon them for

30 years!! And the same disposition is visible with respect to a reduction of the Standard. Men who have never known any other coins than Bank Tokens and *Birmingham Shillings*, have now been taught by the Government themselves, to look upon this *cheap money* as a kind of *fraud*, which the Government had practised upon them, without reflecting that *cheap money*, if it means anything, means *cheap taxes*, *cheap debts*, and *cheap burdens*! It is thus that the Government have raised *barriers* against their own retreat, which every hour become more and more formidable. They have carried their Royal Master through unknown seas, into unknown lands, and now, when dangers of many kinds begin to *thicken* around him, they have madly *set fire to the ships which furnish the only means of escape!!* Lord Liverpool may call this the "*stern path of duty.*" I do not envy him his feelings. If I am not mistaken in his character, the day is not far distant, when he himself will envy the sufferings of the poorest victim of his remorseless policy.

I remain, my Dear Sir,

Your's, with sincere esteem,

THOMAS ATTWOOD.

To the Right Honourable Sir John Sinclair, Bart. &c.





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